FINANCIAL TIMES

World Business Newspaper http://www.FT.com MONDAY FEBRUARY 3 1997

Start the week with...

Richard Tomkins

Cool cigarettes for trendy Americans

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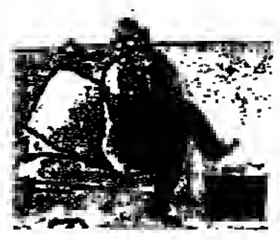

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FT Mastering Enterprise

Part Ten: Harvesting, floating and exit

Showdown on Cuba trade

Europe to ask WTO to act on US law

By Guy de Jonquières in Davos

The European Union is heading for a showdown with the US over its Helms-Burton anti-Cuba legislation, which trade diplomats fear could impose serious strains on relations and provoke a crisis in the World Trade Organisation.

The confrontation is likely to come to a head this week, when Brussels is expected to ask Mr Renato Ruggiero, WTO director-general, to break a procedural deadlock with the US by personally naming the members of a WTO panel to rule on an EU complaint that Helms-Burton violates world trade rules.

Mr Ruggiero is obliged to respond to such a request. But the US has threatened to block the case by vetoing his choice of panellists and challenging the WTO's right to judge the EU complaint. Washington says WTO intervention would infringe on the sovereign prerogative of governments to determine their national security arrangements.

Such unprecedented moves could undermine the WTO's disputes procedure, its main instrument for enforcing trade disciplines and the bedrock of its institutional authority. "In terms of the multilateral trade system, it would be like pressing a nuclear button," a trade diplomat said yesterday.

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Mr Ruggiero and some EU member states have sought to defuse the dispute by urging Sir Leon Brittan, the EU trade commissioner, to soften his line. But Sir Leon insists the US must further restrict its application of Helms-Burton, and of the D'Amato law, which penalises foreign investors in the energy industries of Libya and Iran.

US officials say President Clinton has already gone a long way to meet EU concerns by deciding late last year to waive for a further six months a provision in Helms-Burton which authorises private US court cases against foreign companies "trafficking" in Cuban assets that were seized from Americans. Mr Clinton said he would continue to extend the waiver if US allies maintained pressure on Cuba to move towards democracy.

But Sir Leon said yesterday the move did not go far enough. As well as seeking more permanent action to protect EU interests, he wants the US to curb a section of Helms-Burton that allows denial of US entry visas to foreign executives of companies deemed to be in violation of the law.

Sir Leon said it was politically possible for the US to meet his demands, but talks with US officials in Washington last week and in Davos over the weekend had not produced a compromise. "We are going to ask Renato Ruggiero to nominate a WTO panel straight away," he said.

As well as infuriating the US, such a step could provoke tensions between EU members. France is urging Sir Leon to take a more conciliatory stance, arguing that the WTO could face difficulties if Washington blocked the case on national security grounds. But Italy, whose Stet telecommunications company is threatened by the legislation, is pressing for a hard line.

UK set to finalise open skies agreement with US

By Michael Skapinker, Aerospace Correspondent

The UK is preparing to abandon Bermuda II, the 20-year-old aviation agreement with the US, in favour of a more liberal accord, partly to head off attempts by Brussels to negotiate on behalf of European Union members.

The government has accepted that the restrictive agreement is outdated because of the worldwide move towards aviation liberalisation. The UK and US are believed to be closer to reaching a new "open skies" accord.

Negotiations, due to resume in Washington tomorrow, have been postponed because a UK team member is ill.

The US has made the conclusion of an open skies agreement a precondition for approving the proposed alliance between British Airways and American Airlines.

The alliance provides for extensive co-operation between the airlines, with "code-sharing", or the right to sell seats on each other's flights.

BA will today defend the proposed alliance at EU competition directorate hearings.

Mr Robert Ayling, BA's chief executive, is expected to say that BA and American will lose up to $1bn of revenues a year if they give up 168 weekly slots at London's Heathrow airport as required by the UK government.

Mr Ian Lang, UK trade and industry secretary, has said if BA and American give up 168 slots, their alliance will not be referred to the Monopolies and Mergers Commission.

US regulators are still examining the alliance. But Mr Karel Van Miert, EU competition commissioner, has said 168 slots are not enough and threatened legal action against the UK if it approves the deal on that basis.

Mr Ayling will argue today that the Commission itself has recognised the need for European airlines to form alliances with US carriers. In addition

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Chicago may review London futures link plan

The Chicago Board of Trade, the world's busiest futures exchange, is having second thoughts about its planned partnership with the London International Financial Futures and Options Exchange. The link offers Liffe rights to trade the CBOT's US Treasury bond futures contract when Chicago's trading floor is closed, but CBOT members question why Chicago contracts should shift to London when an electronic trading system can reach the same customers at lower costs. Page 21

Belgians protest at unemployment: More than 40,000 protested against job losses at bankrupt Belgian steelworks Forges de Clabecq in the country's second mass industrial demonstration in a week. Page 2

Canadian priest murdered: Canadian Roman Catholic priest Guy Pinard, 61, was shot dead as he celebrated mass at his parish church in north west Rwanda.

More killed in Algeria violence: Killers with knives and axes decapitated 31 people in the Algerian town of Medea at the weekend, reports said. About 310 people have been killed and some 600 injured in the fresh violence blamed on Moslem militants. Italy reassures Algeria, Page 4; Editorial Comment, Page 19

US and China in trade deal: Beijing and Washington reached a last-minute agreement to extend a 1994 deal on access to textile markets. But the US said $19m in penalties put on imports of Chinese textiles last September would stand. The US had accused China of moving goods through third countries to avoid quota curbs. Page 3

Marchers mark Bloody Sunday: More than 20,000 people marched through the streets of Londonderry in Northern Ireland to mark the 25th anniversary of Bloody Sunday, the 1972 anti-internment demonstration which ended with 14 protesters being killed by British troops.

French tourists killed: An aircraft filled with French tourists crashed seconds after take-off from Tambacounda, Senegal, killing at least 23 people. The 29 others on board survived.

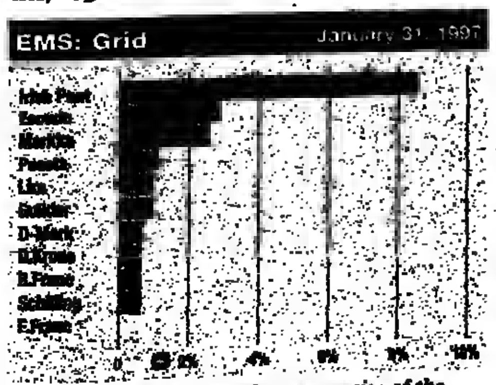
Corsica bomb blitz: Corsican separatist guerrillas defied a French government crack-down, exploding more than 50 mostly small bombs in a few hours. No one was hurt. Page 2

Irish innkeepers back down on beer: The Irish Republic's publicans reversed a 5p (8 US cents) rise in the cost of a pint of beer after the government threatened price controls. Page 2

Chase Capital Partners, merchant banking arm of Chase Manhattan, the largest US bank, is forming a venture to buy financial services companies across Latin America. Its aim is to "put together a regional Latin America-wide bank". Chase's partners include Infisa of Chile and the National Bank of Canada.

World Cup football row: The row over the venue for the 2006 World Cup took a new twist as European football's governing body UEFA claimed England knew two years ago that it was backing Germany to host the tournament. But England's Football Association said it knew nothing of the plan until late last week and pledged to continue its campaign to bring the event to England. Observer, Page 19

European Monetary System: The spread between the strongest and weakest currencies in the EMS grid narrowed slightly last week. The French franc remained the weakest currency in the system and the Irish punt the strongest. The Italian lira slipped one place and the Belgian franc dropped two places. Currencies, Page 29



The chart shows the member currencies of the exchange rate mechanism measured against the weakest currency in the system. Most of the currencies are permitted to fluctuate within 15 per cent of agreed central rates against the other members of the mechanism. The exceptions are the D-Mark and the guilder which move in a 2.25 per cent band.

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German panel casts doubt on Emu start

By Tony Jackson in Davos

German business leaders expressed strong doubts at the weekend over whether the European single currency would start on its January 1999 target date, and held up the prospect of market turmoil if Italy were among the first members.

Mr Ulrich Cartellieri, a Deutsche Bank board member, said there were only 400 working days until the target date and said "only a tiny fraction" of businesses had begun technical preparations. "Even fewer have considered the strategy implications," he said.

Speaking in a panel debate on the implications of the single currency for business, Mr Cartellieri said arguments between France and Germany over the role of the European central bank revealed a much deeper rift. "It shows there are strong fundamental doubts in both France and Germany about the whole concept."

It was also increasingly clear, he said, that Italy could not sustain a hard currency. "How will France and Germany explain to Italy that it should stay out?" he asked. "In the view of many, if Italy is admitted it could be a time-bomb within the union. If those issues drag on much longer, the whole scenario of Emu in 1999 might implode."

The present confidence in the financial markets on the single currency could change rapidly, he said. "They may start to question whether it is plain sailing for the euro, or whether it is heading for the rocks."

Mr Ernst-Moritz Lipp, a Dresdner Bank board member, said: "Spain can make it, Italy probably not. But it does not work politically to have Spain take part in Emu without Italy." He said the possibility that a broad array of countries could launch the single currency was "a sword of Damocles hanging over financial markets".

Mr Carl Hahn, former chief executive of Volkswagen, was concerned about the immediate results of Emu. "Let us assume we are day one of Emu," he said. "The previous day, we had price levels varying across the EU by 20 to 25 per cent. Suddenly, prices will

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Senior figures in Britain's ruling Conservative party last night prepared to turn the European single currency into a key election issue, after Mr Robin Cook, the opposition Labour party's foreign affairs spokesman, gave the strongest sign yet that an incoming Labour government would sign up to the euro. Report, Page 8.

Russian president Boris Yeltsin (left) shakes hands with his French counterpart Jacques Chirac after their three-hour summit meeting near Moscow yesterday. Report, Page 2 Picture AP

Clinton plans $98bn tax cuts to honour poll pledge

By Gerard Baker in Washington

President Bill Clinton will call for tax cuts worth $98bn when he unveils his budget proposals for the coming fiscal year, administration officials said yesterday.

The proposed reductions, which will make good on promises given by the president in last year's election campaign, are intended to be achieved without prejudice to the broader aim of balancing the federal budget by 2002.

The cuts, to be announced on Thursday, will focus on providing relief for low-income families to improve access to higher education. But there will also be a small but politically significant capital gains tax cut for homeowners and additional tax relief for small businesses.

The budget will come at the end of a critical week for Mr Clinton as he seeks to further his aim of securing a bipartisan approach with Congress on a range of policy issues in his second term. On Tuesday he will deliver his State of the Union address, in which he will reiterate his call for co-operation with the Congress made in his inaugural address.

The Republican-controlled Congress, which must approve the final budget, is pushing for larger tax cuts, especially on capital gains, within the overall aim of balancing the budget in five years. Mr Clinton's proposals represent another small step towards narrowing the gap between the two sides.

Last month administration officials revealed that the president's budget would also include an estimated $138bn in cuts in Medicare, the health insurance programme for the elderly. Although Republicans expressed doubts about the reliability of the president's figures, they acknowledged that the plans represented a move towards their own goal of deeper social spending cuts.

Leading Republicans yesterday gave a cautious welcome to Mr Clinton's tax plans, but said they would wait for full details before deciding whether they significantly enhanced the prospects for agreement.

"I support the overall number [$98bn in tax cuts], but I'm not sure I support each item within it," said Mr Pete Domenici, chairman of the Senate Budget Committee.

Mr Trent Lott, the Senate majority leader, and Mr Newt Gingrich, the House Speaker, yesterday invited Mr Clinton to meet congressional leaders on Capitol Hill on Wednesday to try to make broader progress on a range of legislative issues.

But the spirit of comity between the two sides will continue to be undermined by political uproar over the Democratic party's campaign finances. At the weekend it was revealed that an official, tax-funded White House database was used to target potential donors. A Senate investigation into funding activities by the Democrats will begin after this week's display of bipartisan co-operation.

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Recovering Russian president meets Chirac

Yeltsin back in limelight

By Chrystia Freeland in Moscow

Mr Boris Yeltsin yesterday sought to reassert himself as Russian president by holding a three-hour summit meeting with Mr Jacques Chirac, his French counterpart.

The meeting, which focused on the planned eastward expansion of the Nato alliance this year, was Mr Yeltsin's first international appearance since he contracted pneumonia last month. It came amid increasing assertions that he was no longer physically able to run his country.

Mr Chirac said after a discussion which carried on for an hour beyond its planned length that he was "impressed by the speed of his recovery". He said: "I found him, as always, extraordinarily well informed about all the problems of the world, which we discussed together, and very tough in the defence of Russia's interests, which is entirely legitimate."

The Kremlin is hoping the testimonial will help Mr Yeltsin shake off doubts about his health which deepened last week after the Russia leader cancelled a planned trip to The Hague. The summit was also Moscow's latest move in its campaign to soften the blow of Nato expansion.

Having seemingly accepted its inevitability, Russia is now pressing the alliance to sign a formal charter in which current Nato members would pledge not to deploy nuclear missiles or heavy conventional weapons or to station their own troops on the territory of Nato's new eastern European initiates.

The US and most Nato partners oppose a legally binding agreement, which would require parliamentary ratification, but Russia is hoping to exploit tensions within the alliance, especially between Paris and Washington, to get its way.

After the meeting with Mr Yeltsin, Mr Chirac was optimistic that Nato and Russia could make a deal. But he was noncommital as to what type of agreement France would lobby for, saying his government had no strong preference between a legally binding charter and an informal declaration.

After urging both Russia and his Nato allies to be flexible and show mutual respect, Mr Chirac said: "If these conditions are met, I think, and this is my personal impression, that an agreement can be reached before the Madrid summit."

At the summit, to be held in July, Nato is expected to issue invitations to some eastern European countries to join the alliance.

Appearing only fleetingly before western journalists, Mr Yeltsin smiled and spoke in a steady voice. But the Russian leader moved stiffly.

● Mr Alain Juppé, French prime minister, is due to meet Mr John Major, his UK counterpart, in London today, writes David Owen in Paris. He is also expected to hold talks with business leaders and institutional investors among the clients of NatWest Markets at the invitation of its deputy chairman, former foreign secretary Mr Douglas Hurd.

Belgians protest at job losses

By Neil Buckley in Tubize, Belgium

Belgium witnessed its second mass industrial demonstration in a week yesterday when more than 40,000 people joined a protest against unemployment at Forges de Clabecq, the bankrupt steelworks.

The march in Tubize, Wallonia – Belgium's francophone southern region – followed last Wednesday's march through Brussels by 20,000 public sector workers in protest at government-imposed wage restraints and the threat to their jobs posed by privatisation.

It sent a further signal of public discontent to Belgium's government, which has been battered by a series of scandals. The four-party coalition was plunged into a new controversy last week when two senior members of the francophone Socialist party were arrested for allegedly taking bribes.

After charges of mishandling a paedophile murder case last year in which at least four young girls died, and allegations against two ministers – of whom only one has been cleared – of having sex with under-age boys, the latest worker unrest has increased the pressure on an already weakened government. The original spur for the Tubize marchers, estimated by police at 35,000 but by union organisers at 50,000, was the threat to 1,800 jobs at Forges de Clabecq. The steelworks, 60 per cent owned by Wallonia, was declared bankrupt last December after the European Commission vetoed a BFr1.5bn ($49m) rescue package.

But the presence of the families of two young victims of a paedophile murder case which rocked Belgium last year gave the march a wider resonance. Although yesterday's so-called "Multi-coloured March" attracted far fewer than the 250,000 demonstrators who joined October's "White March" in protest at official mishandling of the paedophile scandal, organisers said the response fully vindicated holding the event.

The 4km-long column of marchers ringed Tubize before assembling for a mass rally inside the Clabecq compound.

Mr Roberto D'Orazio, the branch leader of the FGTB socialist union who called the march, told the crowd it was a protest not just against the failure of Belgian and European Union employment policies, but against all social injustice. "The system has failed our children and failed our workers," he said. "It is up to us to change it."

Clabecq's 1,800 jobs remain in doubt after Wallonia refused a request from the plant's receivers for BFr800m financing for a temporary re-start.

With 800 jobs also threatened at Usines Gustave Boël, the struggling, privately owned Walloon steelworks in merger talks with Hoogovens of the Netherlands, Clabecq's closure would be a severe blow to Wallonia. Figures last week suggested 4,800 Belgian jobs were lost in January alone, many of them in Wallonia.

On top of its unemployment headache, and the need to impose a continuing austerity programme on Belgian citizens aimed at meeting the criteria for European monetary union, the government is under pressure to make sweeping legal reforms.

Mr Jean-Luc Dehaene, prime minister, has also come under pressure to expel the Socialist party from the coalition after two former Socialist ministers were accused of receiving funds illegally in the 1980s from Dassault, the French aviation group. All the parties deny any wrongdoing.

EUROPEAN NEWS DIGEST

Tirana acts to boost currency

The Albanian authorities took tough measures at the weekend to bolster their fragile currency and prevent street protests ahead of Wednesday's planned pay-out to desperate investors in two failed pyramid finance schemes. The central bank intervened heavily in the foreign exchange market yesterday, selling large amounts of dollars in order to stop the collapse of the currency, which fell sharply late last week.

The lek, which at one point on Friday was trading at 136 leks to the dollar after losing more than 20 per cent of its value since the beginning of the year, climbed back to 114 during late trading yesterday. In a parallel move, the Bank of Albania has raised interest rates on lek deposits by up to 3.5 percentage points, bringing rates on one-year deposits to 22 from 19 per cent.

The police in Tirana put a heavy force on to the streets of the capital yesterday to block a planned protest led by Mr Azem Hajdari, the leader of the Albanian trade union movement who was one of the founders of the governing Democratic party that ousted the Communists in the early 1990s. *Kevin Done and Kerin Hope, Tirana*

Corsican rebels plant bombs

Separatist Corsican guerrillas mounted a show of force on Saturday, detonating more than 50 small bombs on the most violent night on the Mediterranean island for nearly a year. Nobody was hurt by the explosions, which damaged post offices, banks, tax offices and chambers of commerce around the island.

The Corsican National Liberation Front (FLNC) Historic Wing claimed responsibility for planting the bombs, which came after a pledge by France's centre-right government to crack down on the violence that has plagued the island for 20 years. *David Owen, Paris*

Swiss truck tolls criticised

European Union transport ministers have denounced as "unacceptably high" a recent proposal by Switzerland to impose a SFr600 ($429) levy on each truck passing through its territory. The levy is intended to replace a ban it imposed on vehicles over 28 tonnes following a referendum. Much goods traffic bound for Italy has been diverted through France and Austria as a result, and the issue is hampering EU negotiations over a broader economic accord with Switzerland.

Mr Neil Kinnock, European transport commissioner, said: "SFr600 for crossing Switzerland is not even a figure to start talking about." He added: "The time available is not very great – we are not therefore talking about several months" before an agreement needed to be concluded to ease the burden on Switzerland's EU neighbours. At the ministers' meeting in Amsterdam, Mrs Annemarie Jorritsma, the Dutch transport minister, urged the Swiss to improve rail access through by tunnelling through the Alps. *Gordon Cramb, Amsterdam*

Polish group wins road deal

Autostrada Wielkopolska, a Polish consortium of construction companies and banks led by the listed Elektrim power engineering conglomerate, has been chosen to build and operate the country's first big toll motorway, against strong competition from a foreign group led by Germany's Bilfinger and Berger (B&B).

The decision on the $1.5bn contract for the 364km stretch of the A2 from Swiecko on the German border was taken at the weekend by the ABiEA, the official toll motorway regulatory body. The ABiEA's recommendation now has to be approved by the government.

The motorway programme envisages that private finance will be used to build 2,500km of toll motorways in Poland in the next 15 years. *Christopher Bobinski, Warsaw*

● Holiday Inn, the Atlanta-based hotel group, is to open 20 hotels in Poland over the next 10 years in a franchise agreement with Global Hotels Development Group Poland. Global Hotels, which is seeking to raise $120m, will own or manage the hotels under a franchise contract with Holiday Inn, owned by Bass, the UK brewer and leisure company. *Scheherazade Daneshkhu, London*

Turkey under fire for 'links to drugs trade'

By John Barham in Ankara

Turkey's battered international image is under attack again but not this time for human rights violations. Instead the government is accused of involvement in the booming heroin trade between Afghanistan and Pakistan and western Europe.

Last month a German judge said Turkish gangs enjoyed "excellent relations" with the government in Ankara and even "personal contacts" with Mrs Tansu Çiller, foreign minister in the Islamist-led coalition. He said this seriously complicated German heroin-smuggling investigations.

A British Home Office minister, Mr Tom Sackville, joined the attack, accusing Ankara of leaking sensitive intelligence to smugglers. "There have been incidents where information definitely got back to drug dealers," he said. "If we are going to share information and work together we have to absolutely trust those people we are dealing with."

Western capitals also worry that Turkey may be a money laundering centre. Parliament outlawed money laundering last year, but the government has not begun enforcing this.

The government has lashed out at foreign criticism. The foreign ministry said Germany had provided no evidence showing Mrs Çiller knew heroin smugglers. It said: "The airing of such generalised accusations against our country is unacceptable"; it added that western governments were making the accusations to block Turkey's aim of joining the European Union.

Mr Tuncay Yilmaz, narcotics police chief, is upset that London has stopped pooling intelligence. He says seizures are mounting every year, proof of the effectiveness of his overworked and underpaid staff.

However, increasing seizures also indicate a big rise in drug running. Heroin seizures in Turkey have doubled in three years to more than 4,000kg. European police say Turks supply 80 per cent of Europe's heroin.

For years foreign governments and local political commentators have worried that traffickers are using their huge profits to buy protection from corrupt officials. Concern gave way to alarm in November when Mr Mehmet Agar, the powerful interior minister, resigned after it emerged he knew Mr Abdullah Çatli, a wanted heroin smuggler.

The relationship came to light after Mr Çatli, his girlfriend and a senior policeman were killed when the car they were travelling in together crashed. Mr Sedat Bucak, a Kurdish MP from Mrs Çiller's centre-right True Path party, escaped with minor injuries.

The normally pliable media have pursued the story ever since, while courts and government investigators drag their feet. Newspapers found Mr Çatli, using an alias, had a gun permit signed by the interior minister himself and an official passport.

Investigative journalists alleged that officials hired gangsters like Mr Çatli with ultra-right political sympathies as assassins to eliminate "state enemies".

The media also reported how the heroin trade had become entwined with the war against the separatist Kurdistan Workers party (PKK). The government has always said the PKK is involved in trafficking. Now, reporters are finding links between smugglers, security forces and pro-government Kurdish militia. Mr Bucak is the leader of the largest such militia.

Mr Ozgen Acar, an editor on the opposition newspaper Cumhuriyet, says a "state within a state" has emerged in the Kurdish south-east which straddles drug routes from Iran, comprising gangsters, paramilitary commanders and militia chiefs with links to senior officials in Ankara. Western analysts note that trafficking is increasing and processing laboratories are springing up, in spite of the heavy presence of security forces.

A rushed government investigation into ties between officials and organised crime said 35 people should be investigated, including several members of parliament. But lifting their immunity from prosecution will be difficult. The politically powerful army has rejected demands that it be investigated.

Three parliamentary investigation committees have cleared Mrs Çiller of corruption charges. Mrs Çiller remains unrepentant about her True Path party's links with Mr Çatli. She said: "Those who stand in the firing line for the sake of the people and the state are always remembered with respect. They are honourable. Abdullah Çatli was not convicted of any crime."

Observers fear drug money will continue corroding the state. Mr Acar says: "I do not think [politicians] smuggle heroin or launder money directly. They turn a blind eye. Most [public employees] are honest but with inflation and low wages I wonder how they can continue rejecting corruption every day."

CORRECTION

EU tax rivalry

In the graph on Page 2 of the FT on January 31, showing the trends in implicit EU tax rates, the labels were transposed. The graph should have shown the tax on employed labour rising, and the tax on production falling.

Dublin has beer price rise swiftly reversed

Trouble brews in Ireland

By John Murray Brown in Dublin

John Bruton examines Irish beer prices last week Maxwells

Ireland's publicans have been forced to retract a 5p (8 US cents) increase on the cost of a pint of beer after the government angrily threatened to impose price controls. Mr John Bruton, prime minister, was described as "apoplectic" at the price rise. His consumer affairs minister, Mr Pat Rabbitte, warned it was something "up with which the government would not put".

The government is particularly incensed because it made a point of not putting up excise tax on beer in last month's budget, the last full one before the general election to be held by November. Beer prices are an emotive topic in many countries but particularly in Ireland, the world's third largest per capita consumer.

Only Germans and Czechs drink more beer.

Mr Bruton raised the issue at parliamentary question time, accusing publicans of creating a price cartel, before slipping out to a city centre public house to test the facts for himself.

After a public berating by the government, the Licensed Vintners Association, which represents 600 pubs in Dublin, agreed to reverse the price rise.

In a bad week for the publicans, the Irish Competition Authority then announced a full probe into the drinks market, the first investigation conducted under new powers agreed by parliament last year. The prime minister's brother, Mr Richard Bruton, the enterprise and employment minister, called for the investigation to be from the "malting house to the public house".

In Dublin bars, beer was selling this week at between I£2 ($3.21) and I£2.30 – and up to I£2.50 in hotel bars such as the Horseshoe in the Shelbourne.

Mr John Fingleton, a lecturer on competition policy at Trinity College Dublin, estimates the price of stout has risen by 16 per cent in real terms since 1986, while in the off-licence market prices have fallen by 13 per cent – a gap equivalent to 40p a pint.

The Competition Authority is expected to recommend changes to the 1908 licensing act, which currently allows publicans to restrict new entrants, with the effect that the number of licences has not increased in over 80 years.

"The economics are very clear. We need to liberalise the licensing system. But this is a political issue, and we all know there are lot of publicans in the Dáil," says Mr Fingleton.

The laws of economics were nonetheless evident in one Cork city street, where Bradleys, one of 13 pubs on Barrack street, was yesterday selling Guinness at I£1.57.

Healthcare put back on Romania's agenda

Virginia Marsh on a new government pledge

Television viewers all over the world were horrified when the overthrow of the repressive regime of Nicolae Ceauşescu exposed the state of Romania's medical services. Film of neglected, Aids-infected babies and starving orphans unleashed a wave of international sympathy and humanitarian aid.

Seven years later, the situation has improved but progress has been slow.

Failure to move ahead with reforms, along with years of post-communist recession, contributed to an increase of about 10 per cent in crude mortality rates between 1990 and 1995.

Tuberculosis and meningitis are on the rise, and infant and maternal mortality rates remain among the highest in Europe. Hospitals are often dirty and cold, short of food and medicine, and without working plumbing.

Now, however, there appears to be a chance for improvement. The new centre-right government has pledged to make healthcare a top priority. The health ministry aims in this week's budget negotiations within the government and with the International Monetary Fund to secure an increase in health spending equivalent to about 4 per cent of gross domestic product, up from around 3 per cent.

Even this is low by international standards. According to the World Health Organisation, the former communist central and eastern Europe countries spend, on average, nearly 6 per cent of GDP a year on the sector, while the western European average is about 8 per cent.

Central to the government's plans is adoption of a national health insurance scheme, like those in most other countries in the region. This would establish a semi-independent body, funded directly from payroll taxes, to administer most healthcare.

"Health could be kept out of the annual competition for budget funding if it had its own system of financing," says Ms Eugenia Erhan, a director at the health ministry. She also believes that a semi-independent body, run almost like a private organisation, would prove more effective than the state in controlling costs and clamping down on bribe-taking.

A law creating a health insurance scheme was drafted under the former government but, like many of its proposals, it failed to clear parliament. Not that health was ever a priority. The health minister for almost all of its four years in office was Mr Julian Mincu, formerly Ceauşescu's personal doctor and the author of a notorious low calorie diet used to justify the dictator's export of huge quantities of food in the 1980s.

Most in the medical profession support the planned insurance scheme. Among other things, they regard it as a way to decentralise healthcare and assure a stable framework for the sector.

"There are three laws we need urgently – the insurance scheme, another to establish a national doctors' association, an independent professional body, and a third on the status of hospitals," says Professor Alexandru Serbanescu, head of Bucharest's N.G. Lupu hospital. Although his hospital is one of the country's largest, treating 50,000 patients a year, it has an annual budget of less than $2.5m.

Some, however, believe that, for the time being, the insurance scheme would be too expensive for Romania.

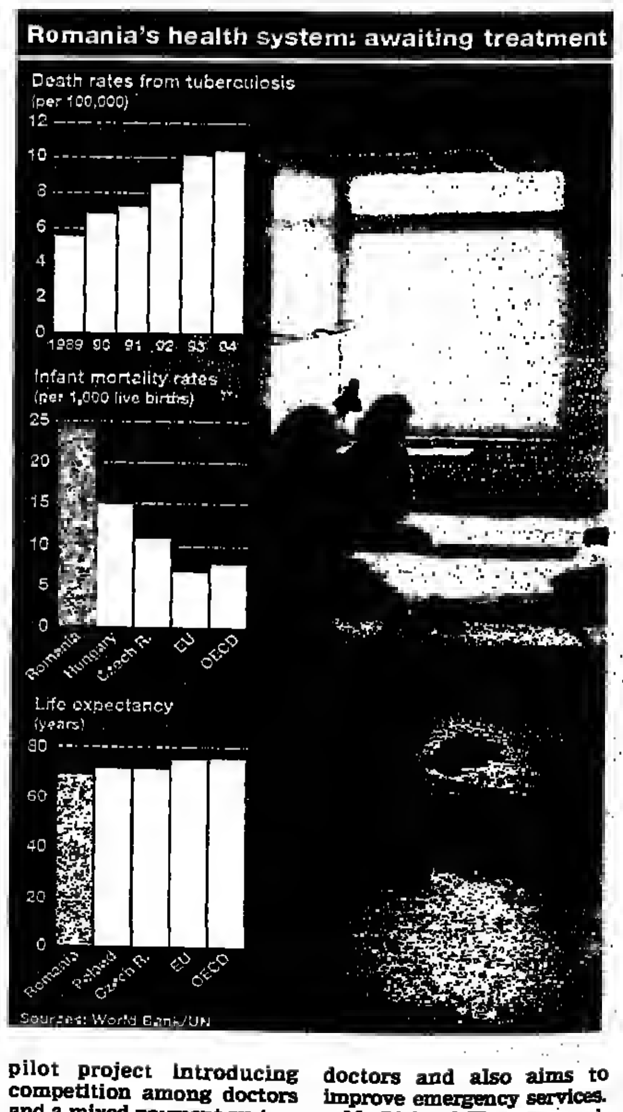
"People have only looked at the positive elements – doctors favour it partly because they think their wages will go up," says Professor Dan Enachescu of the public health department at the Carol Davila medical university in Bucharest. "As well as the expense of implementing such a system, there are large recurrent costs in running it."

He fears that levying healthcare contributions on top of already high taxes will encourage even greater fiscal evasion. The insurance system would have more chance of working once the economy stabilises and after some restructuring of the sector, he believes.

One successful primary care reform, for example – a pilot project introducing competition among doctors and a mixed payment system based on numbers of registered patients and on services performed – could be extended to other parts of the country.

In addition, the project, carried out in eight districts as part of a World Bank programme, has refurbished dispensaries in rural areas where there is a shortage of doctors and also aims to improve emergency services.

Mr Richard Florescu, project officer at the World Bank in Bucharest, gives a graphic illustration of the scale of the latter problem. Accident victims often have to wait hours for an ambulance, he notes, and even when they arrive they are so poorly equipped that almost half the patients are dead on arrival at hospital.



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China and US in textiles accord

By Tony Walker in Beijing

China and the US yesterday agreed to extend a 1994 agreement on access to textile markets, averting a threatened trade row.

But the US said that \$19m (£11.8m) in penalties imposed on imports of Chinese textiles last September would remain in place. The US had accused Chioese enterprises of trans-shipping through third countries to avoid quota restrictions.

Ms Rita Hayes, the chief US textiles negotiator, said the "tough" six-days of negotiations resulted in an agreement which would improve US exporters' access to China. Quotas on Chinese exports of textiles to the US would also be increased under the four-year agreement.

The textile agreement dating from 1994 was due to expire on December 31 last year, but the US agreed to a ooe-mooth extensioo to allow time for further negotiations.

The US had accused China of trans-shipping through third countries to avoid quota curbs

But she was unable to provide details because the agreement had not yet been made public. This would await an exchange of diplomatic notes.

In September, the US cut 13 categories of Chinese textile and garment quotas following customs investigations which showed widespread violations. China threatened retaliation.

China's undertaking to improve access for US products such as yarns, bedspreads and curtain material and also to curb attempts to abuse quota restrictions paved the way for an agreement.

The US has long complained about a severe imbalance in textiles trade with China. In 1995, China exported \$6.6bn worth of textiles to the US and imported just \$64m of US products. The gap was about the same last year.

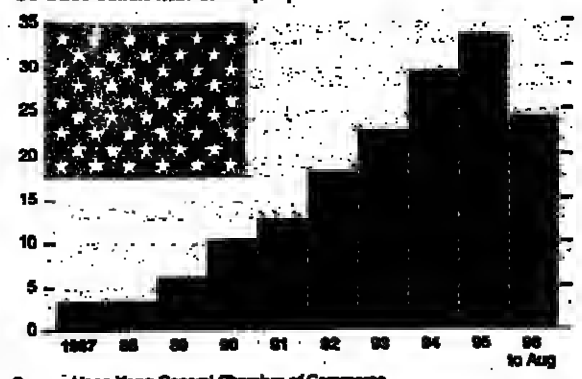
Ms Hayes described the agreement as an historic eveot because it was achieved without a threatened sanctions battle. "This showed the two countries would solve their difference without resort to sanctions," she said.

The textiles deal came against the background of improving Sino-US ties, which hit a low early last year during the fracas over Chinese attempts to influence presidential elections in Taiwan.

US officials blame the low volume of textile sales to China on tariff and non-tariff barriers. Ms Hayes said that she made progress towards achieving a "level playing field" by persuading China to cut its tariffs and reduce non-tariff barriers.

Mr Li Dongsheng, China's chief textiles negotiator, said the new agreement demonstrated that China and the US "share interests in advancing bilateral trade and economic co-operation." He described the talks as "tough and fruitful".

China/US: the trade



Source: Hong Kong General Chamber of Commerce

US to end 82-year ban on Mexican avocados

By Christopher Parkes in Los Angeles and Daniel Dombey in Mexico City

The US is to end an 82-year ban on imports of Mexican avocados, in the teeth of continuing resistance from Californian growers who will lose their virtual monopoly in the domestic market for guacamole, of which avocado is one of the main ingredients.

Although imports will initially be restricted to 19 states in the Midwest and oorth-east, and shipmeots will be allowed only in winter, the decision drives a substantial wedge between free-trade supporters and the protectionist tendency in the US farm lobby.

The decision had been expected last year, but was put off because it offered what one analyst called a "hio-political" hazard to President Bill Clinton's re-election campaign.

While the move will bring higher prices to the poor western state of Michoacán, source of much of Mexico's 800,000-tonne annual crop, it will eventually lower revenues to the 6,000 Californian farmers who currently supply more than 90 per cent of US consumption.

US avocados are more than three times as expensive as Mexican-grown fruit imported freely into Canada.

The end of the embargo, originally imposed to protect US orchards from seed weevil and later confirmed as a protection against fruit fly infestation, was greeted in Mexico as an affirmation of the spirit of the North American Free Trade Agreement.

Californian growers, who are expected to lodge a protest today, last week accused the federal Agriculture Department of ignoring new pest evidence supporting their call to keep the ban.

"Ignoring scientific data... makes a political pawn out of a \$1bn industry. We have been consumed by the wake created by the Nafta boat," said Mr Mark Affleck, chief executive of the California Avocado Commission.

This lohhying organisation last year spent about \$300,000 on advertising its resistance.

The two-year tussle betweeo farmers and the Washiogtoo bureaucracy was reminisceot of the series of farm trade "wars" in the European Union, the world's most established free trading bloc.

Motives ranging from genuine health coocerns to hare-faced protectionism havo spurred conflict over commodities such as Spanish cauliflowers, British lamh, German beer, and beef from cows suffering from mad cow disease, or bovine spongiform encephalopathy (BSE).

In the Nafta avocado case, Mexico resorted to the well-tried technique of dividing the US farming lobby as it pushed for change in Washington.

Pressure in the form of threatened bans on imports of US grains and other products not grown in California cost the US avocado lobby the support of colleagues across the country.

The national American Farm Bureau Federation, for example, said at the weekend it did not support the new policy, but recognised it was "very important to our international trading position".

According to some estimates, the end of the embargo will drive down avocado prices in the US by about 15 per cent over the next 10 years. Mr Francisco Labastida, Mexico's agriculture secretary, claimed such effects would be mitigated by increased consumption.

"At the moment, avocado consumption in the US is relatively low because not enough of the product is available," he said. Opening markets "automatically" led to increased consumption, he claimed.

Most US avocado eating is confined to the west and southern areas, close to and including California, where the popularity of guacamole dips and soups testifies to the growing Latino population.

However, a small Hass avocado typically costs \$1 – more than in western Europe – while the price of larger varieties can rise to almost \$3.

Poland tightens up on Daewoo under EU pressure

By Christopher Bobinski in Warsaw

Poland has bowed to intense pressure from the European Union and agreed to tighten tariffs on car imports by Daewoo, the South Korean industrial conglomerate, which is committed to a \$1.4bn investment in Poland's car manufacturing.

Brussels had warned Poland that tariff ineentives being extended to Daewoo would hinder Warsaw's negotiations with the EU on Polish membership. The negotiations are expected to start next year.

The Polish decision, which follows a 12-month campaign by Brussels, will come as a relief to Fiat, another big investor in Polish industry.

The Italian carmaker is fighting to retain market share for sales of its locally assembled imported Punto and Bravo models – against competition from Daewoo's Nexia and Espero cars.

General Motors' Opel subsidiary, which is building a DM500m (\$304m) car plant in Poland, is also concerned to stop Daewoo building a strong position there before it is ready to come oo stream with its new locally produced saloon model in 1998.

Polish oegotiators last week informed their counterparts in Brussels that Daewoo would no longer be permitted to import cars through a cursory assembly operatioo which, in effect, enabled it to bring its vehicles into Poland tariff-free.

Under present Polish rules, imports of cars carry a 25 per cent tariff unless they are delivered in parts and assembled locally. In addition, EU producers can bring 38,750 cars into Poland this year without paying customs duty.

Daewoo in 1995 took over Warsaw's overmanned FSO plant, which prodoces the ootdated Polonez saloon car. As part of the investment package, Daewoo got Polish government agreement for tariff-free imports of its Nexia and Espero models.

The Nexia and Espero went on sale last year as a stop-gap measure before Daewoo begins local production of its new Lanos model at the beginning of next year.

Daewoo is committed to investing \$1.1bn at FSO by 2001 and a further \$340m in a delivery van plant in Lublin.

Fiat, which like Opel and Ford, assembles its cars from around 1,000 parts to claim the tariff exemption, has been enraged by Daewoo's operation, which sees complete models brought by sea up the Adriatic to Slovenia. There they are dismantled into around 10 parts and brought by rail to Warsaw. The car is then screwed together once more at FSO.

Daewoo has been informed by the Poles of their decision and will now have to bring cars into Poland in more pieces at a greater cost.

Last year car sales in Poland grew by a record 41 per cent to 373,000.

IT talks inch towards 'critical mass'

By Frances Williams in Geneva

Trade negotiators seeking to nail down final details of a deal to cut tariffs on information technology (IT) goods to zero by the year 2000 have failed to secure firm participation of enough countries to reach the 90 per cent trade coverage stipulated for the accord to come into force.

The participants must decide by April 1 whether to bring the Information Technology Agreement (ITA) into force anyway or to wait until the threshold is reached.

In talks which ended late last Friday at the World Trade Organisation in Geneva, only New Zealand pledged to join the ITA in addition to tha 28 participants that signed up to the pact last December at the WTO ministerial meeting in Singapore.

Costa Rica is also expected to join, after it was given dispensation to extend tha transition for tariff cuts beyond 2000 on some products. But New Zealand and Costa Rica add a minuscule 0.2 percentage points to the 83.4 per cent trade coverage already reached.

Negotiators have still not lost hope that Malaysia, Thailand, India and tha Czech Republic, all of which took part in the talks in Geneva, may be persuaded to sign on later, taking coverage beyond the threshold. Trade officials said talks on additional product coverage would restart in October.

In separate WTO negotiations, Malaysia announced last week it would submit a telecoms liberalisation offer, a move seen as enhancing the chances of a successful outcome by the deadline of February 15.

Though trade diplomats do not expect the offer to be very ambitious, it marks an important step towards the achievement of the "critical mass" of quality offers being sought by the US.

Washington refused to join a WTO telecoms accord last April, blaming the lack of good offers from east Asia in particular. Malaysia and Indonesia, which tabled its offer last week, made no market-opening commitments in the earlier talks.

Mr Neil McMillan, the British chairman of the WTO talks, said on Friday that 54 governments had now submitted offers in the talks. Bulgaria, El Salvador, Indonesia, Romania and South Africa all tabled liberalisation proposals last week, and six plan to do so this week – Malaysia, Bangladesh, Egypt, Ghana, Jamaica and Barbados.

Australia, the Czech Republic, Mexico, Poland and Singapore put in revised offers last week and others should follow this week from Japan, Israel, New Zealand, Peru, Pakistan, Thailand, South Korea and India.

Europe 'lagging' in information technology, Page 19

Supporters of Imran Khan, head of the Justice Movement party, cheer at a weekend rally AP

Pakistanis expect low poll turnout

By Mark Nicholson and Farhan Bokhari in Islamabad

Cold, damp weather, a lacklustre election campaign, the Moslem fasting montb of Ramadan and a ganeral disenchantment with politicians may today conspire to produce a record low turnout in Pakistan's elections, the nation's fourth since the end of military rule in 1988.

Pundits and politicians expect at best 30 to 35 per cent of Pakistan's 56m voters to cast their ballot in polls for the 217-seat parliament, and perhaps as few as 20 per cent. Turnout has exceeded 40 per cent in the three earlier polls.

But casting his eye to yesterday's rainy Rawalpindi sky, Mr Shabbir Kazmi, a moneychanger, remarked: "Even nature is against these elections. Why bother? We're just going to get the same crooks and turncoats back in office."

That snch cynicism is widespread was amply illustrated by a poll in this month's Herald magazine. It found 95 per cent of respondents agreeing that most politicians are corrupt, 66 per cent saying they would prefer a presidential system of government, and 43 per cent saying Pakistan had benefitted from periods of martial law. Fifty five per cent said tbey doubted politicians would ever be held accountable for corruption in office.

Each of the three governments elected since the end of General Zia ul-Haq's military regime has been prematurely dissolved on corruption or mismanagement charges by successive Pakistani presidents. But so far no specific charges have stuck against Ms Benazir Bbutto, the Pakistan People's party (PPP) leader ousted in 1990 and again last November, or Mr Nawaz Sherif, the Muslim League (PML) leader deposed in 1993 – and favourite to return as prime minister this week.

Sketchy, but consistent, opinion polls put the Muslim League 10-20 per cent ahead of the PPP, whose vote in its traditional Sindh province heartland is likely to be split by a rival PPP faction, with the ethnic Mobajir Quami Movement also expected to sweep the provincial capital, Karachi.

PML leaders are thus expecting a haul of 90 seats which they hope to combine with 18 seats reserved for tribal and minority voters and eome independents to form the next government.

Ms Bhutto has repeatedly claimed she will lose only if the vote is "rigged", and her party has listed 65 constituencies in which it claims results will be "engineered or manipulated". The claim was flatly dismissed by Mr Sardar Fakhre Alam, chief election commissioner. "We have inquired into it, and there is nothing," he said.

Today's poll will be scrutinised by observers from the EU, the US, south Asia and the Commonwealth, and be policed by at least 250,000 security personnel.

Meanwhile, the Karachi etock market offered some rare pre-election cheer, rising almost 4 per cent to yesterday's close at 1,597.26, anticipating a Muslim League victory. The PML is widely seen as more reformist and pro-business than the PPP, which presided over a soaring fiscal deficit and an increasingly precarious foreign exchange poeition before its dissolution on November 5.

Fed faces dilemma on US growth

Is the US economy still proceeding at a gentle canter of stable expansion or is it about to break out into an inflationary gallop? That was the question puzzling economists over the weekend following last week's release of figures for the final three months of 1996 that revealed a much stronger pace of growth than they bad expected.

The figures, showing the economy grew at an annual rate of 4.7 per cent in the final quarter, fuelled concerns that the economy might be overheating, just as the Federal Reserve holds the first meeting of the year tomorrow of its policy-setting federal open market committee. Though favourable inflation figures suggest the Fed is still likely to keep interest rates on hold, stronger growth clouds the medium-term outlook for monetary policy.

Concerns about a growth surge are nothing new. Similar fears surfaced last summer when it emerged the economy grew at an identical 4.7 per cent rate in the second quarter. The Fed was widely expected to raise interest rates to cool it last autumn, but central hank chairman Alan Greenspan's nerve held, and the Fed stayed its hand.

The critical factor was that the central bank's own economists were forecasting a slowdown in the second half of the year to a rate of about 2 per cent. Mr Greenspan believed this would be enough to take the wind out of the economy's sails.

The Fed's judgmant proved only partially correct. Between July and October the economy did indeed slow appreciably to a growth rate of just 2 per cent. But the reignition of growth in the fourth quarter took the overall rate in the second half of the year to 3 per cent. That meant between March and December last year the economy expanded at an annual rate of over 3.5 per cent, well above the long-term non-inflationary growth rate.

The critical question for policymakers now is: will the pace continue or will the fourth quarter prove to bave been a temporary spurt in activity?

The two main factors behind the strong fourth quarter figures were a jump in exports and strengthening personal consumption.

Exports grew at an annual rate of 25.5 per cent, a pace that certainly appears unsustainable. The figures may have been distorted by special factors such as an especially large number of aircraft orders.

But more importantly, the currency markets may hamper export growth of any scale for the current year. The trade-weighted value of the dollar has risen by over 10 per cent in a year, and that seems certain to reduce demand for US exports.

The second big contributor to fourth quarter growth may prove more durabla. Personal consumption increased at a 3.4 per cent annual rate, having been stagnant throughout most of 1996. Some economists argue that too was just a blip. Consumers, they say, are generally becoming more cautious, having accumulated record household debt in the last year.

But this weakness in personal financial balance sheets seems more likely to continue. In fact the overall prognosis for consumer demand looks strong. Unemployment remains low, and wage growth has begun to pick up speed.

Alan Greenspan: Fed's judgment partially correct

Fears about "downsizing" and its effects on job security are slowly beginning to fade. Perhaps most important, the booming stock market is supplying consumers with a comfortable cushion of increased personal wealth from which to spend.

"Consumers' confidence has climbed to new decade highs, and they are well positioned to boost outlays in 1997," says Mr Richard Berner, chief economist at Mellon Bank, a commercial bank in Philadelphia.

No one believes the economy will continue to grow at the kind of pace seen in the fourth quarter, but strong consumer demand and continuing growth in investment could push the rate of expansion above 3 per cent.

Yet even if growth proves that strong is it inevitable that interest rates will rise? There is much talk in the US these days of a new paradigm, a fundamental shift in the economy's performance that can sustain faster growth and low unemployment without stoking inflation. Last week's figures appeared to back this up.

While they showed a surge in economic activity at the end of 1996, they actually recorded a further decline in the main measure of inflation. The overall GDP deflator fell from 2 per cent in the third quarter to 1.8 per cent in the fourth.

Bnt that may be misleading. Much of the fall in prices was the result of lower export prices, which are not significant for domestic inflation. The deflator for domestic purchases, by contrast, rose from 1.9 per cent to 2.5 per cent, an early indication perhaps thet the brave new world of rising demand and falling prices may be nearing its end.

Gerard Baker

Zambia strives to cut reliance on donor aid

By Mark Ashurst in Lusaka

Zambia has announced a 1997 budget intended to reduce the country's dependence on donor aid and accelerate the privatisation of ZCCM, the state-controlled copper producer.

Bnt in the aftermath of dispntes with bilateral donors, Mr Ronald Penza, finance minister, broadened the revenne base by restoring a 5 per cent duty on imported goods.

Bilateral donors – led by the UK, US, Sweden, Germany and Japan – have either suspended aid or threatened to do so to protest against a constitutional amendment that barred the former president, Mr Kenneth Kaunda, from contesting a general election last November.

In a weekend briefing, Mr Penza said the budget was intended to promote self-reliance. "We want donor support to be replaced by private investment," be said.

The long-awaited privatisation of ZCCM, the state insurance service, and Zamtel, the telephone company, would belp restore waning capital inflows.

A first step in the new direction was reduction in value-added tax from 20 per cent to 17.5 per cent, bringing it in line with Zambia's sub-Saharan neighbours.

A second was the transfer of responsibility for the fiscal aspects of the Mines and Minerals Act to the Ministry of Finance, which is expected to introduce a simpler tax structure for the industry.

Mr Penza predicted gross domestic product growth of 5.5 per cent in 1997, compared with 6.4 per cent last year. He forecast a sharp drop in inflation from 35 per cent in 1996 to 15 per cent this year.

Analysts said the targets would win approval from foreign donors, to whom Mr Penza appealed for renewed co-operation "in a spirit of mutual respect".

The prospect of Zambia qualifying for ESAP3 – the Economic and Social Adjustment Credit scheme recently introduced by the World Bank – offered Zambia "a unique opportunity to exit from the debt trap that has suffocated our economy for the past two decades," be said.

The World Bank is scheduled to provide Zambia with \$123m of balance of payments support this year, with a further \$45m tranche subject to the country qualifying for ESAP3.

However, while the loyalty of multilateral donors has been secured by an ambitious programme of structural adjustment, bilateral donors have been non-committal about restoring aid.

The budget, presented to parliament on Friday, is the first to assume a current account surplus since President Frederick Chiluba's ruling Movement for Multiparty Democracy took office in 1991. Higher provisions for capital expenditure and contingency funds offered some scope for adjustments in the event of a shortfall in external aid.

Mr Penza expected bilateral contributions of about \$39m this year. But analysts said this figure did not discriminate between funding for development projects, which bilateral donors were reluctant to abandon, and further balance of payments support, which remained in doubt.

HK body takes hard line on rights

The Beijing-appointed Preparatory Committee charged with overseeing China's resumption of sovereignty over Hong Kong on July 1 has voted in favour of watering down civil liberties in the territory, writes Louise Lucas in Hong Kong.

Reeults of a weekend meeting, which also legitimised activities of the controversial provisional legislature, are set to worsen relations with tha colonial government. Mr Chris Patten, governor, said the closed-door meeting in Beijing had taken decisions which went to the heart of the "one country, two systems" concept on which Hong Kong's future as part of China was based.

"Will tomorrow's Hong Kong, as promised, ba exactly as free as today's, or will it be less free? Will the rule of law, on which all freedoms ultimately depend, remain supreme?"

While Beijing has given no timetable for repealing and amending the relevant laws, the next step is for the National People's Congress, China's rubber-stamp parliament, to ratify the proposal.

It is likely the provisional legislature – the interim parliament whose members were selected by a Beijing-appointed body – will start to examine ways of replacing the repealed sections of the laws shortly, so that the newly drafted versions can come into effect on July 1.

Mr Tung Chee-hwa, Hong Kong's post-colonial leader, supported the Preparatory Committee proposals to toughen regulations governing public demonstrations and limit the scope of the Bill of Rights bnt promised wide consnltation on replacement legislation.

Italy reassures Algiers over role in conflict

By Roula Khalaf in London

Italy will not interfere in Algeria's domestic affairs and has no intention of mediating in the five-year Algerian conflict, according to Italian officials.

Mr Piero Fassino, a foreign ministry undersecretary, last week was quoted in the newspaper l'Unità as saying that Italy would propose a peace initiative on Algeria. The comments caused a stir in both Rome and Algiers.

Mr Lamberto Dini, the Italian foreign minister, said Italy was interested in contributing to a resolution of the crisis but had no intention of mediating. Mr Fassino on Friday also issued a statement saying the EU should help end the Algerian conflict but "without interference".

He said: "The international community, and first of all the European Union, must emerge from a condition of passivity and lack of interest and belp Algeria, though without interfering, to overcome the current crisis." He denied that he had proposed Italian or European mediation.

The Algerian government rejects outside efforts to bring an end to its struggle with Islamic militants and says European countries should help by dismantling Islamist networks in Europe which provide assistance to local terrorists.

The Algerian foreign ministry last week summoned the Italian ambassador in Algiers for an explanation of Mr Fassino's comments. Mr Ahmed Attaf, foreign minister, said he had been reassured that Italy's aim was not to interfere but to assist in isolating "terrorism".

The controversy testifies to the west's dilemma. The resurgence of violence in Algeria over the last three months has prompted Europe to break silence in a war that has already claimed more than 50,000 lives. But Europe's commercial interests in Algeria and the need to steer clear of alienating Algiers complicate outside attempts to play a role in ending the conflict. European countries have thus found it convenient to leave the Algerian conflict to France, the former colonial power, which has so far supported the Algerian government.

● More than 30 people were killed at the weekend in the town of Medea south of Algiers, according to El Watan, an Algerian newspaper. El Watan said Islamic terrorists had carried out the massacre.

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World pharmacy drug purchases January-November 1996 (\$m)*

	US	Japan	Germany	France	Italy	UK	Spain	Canada	Belgium	Neths
Alimentary/Metabolism	5,842	4,314	2,522	2,099	1,348	1,220	773	530	267	396
Anti-infectives	5213	2376	1160	1571	1051	396	547	238	218	110
Blood Agents	2,802	2,006	715	891	468	167	276	253	92	112
Others	10,161	5,865	3,177	2,114	1,697	1,167	892	640	309	292
% Change**	11	2	7	2	12	10	9	4	6	0

Source: IMS International *Non-hospital market only **Increase excluding currencies

US surge lifts world drug sales

By Daniel Green in London

A surge in the US pharmaceuticals market lifted US drug sales to \$54.1bn for the first 11 months of 1996, an increase of 11 per cent compared with the same period a year earlier.

US growth helped drug sales to the world's top 10 markets reach \$130.1bn for the period, up 7 per cent on the first 11 months of 1995, according to figures from IMS International, the specialist pharmaceuticals market research organisation, publisbed today.

Japan provided the main drag on world growth. Sales were held back by mandatory government price cuts to early 1996 in the world's second biggest market. Sales there grew 2 per cent to \$21.1bn, excluding exchange rate movements.

Also growing slowly was France, where the government has traditionally striven to keep drugs prices lows. Sales grew 2 per cent to \$13.6bn.

The UK has higher drug prices than France and new drugs tend to be launched sooner. But the UK has much lower consumption per head, so rapid 10 per cent sales growth took the total to only \$6.2bn.

Italy also grew quickly, largely because of a recovery after two years of stringent spending control measures. Sales rose 12 per cent to \$8.2bn.

Germany, which was in the vanguard of government cost control legislation in the early 1990s, grew 7 per cent to \$15.3bn.

By medical area, growth is dominated by nervous system drugs, which include antidepressants such as Prozac, made by Eli Lilly of the US. Sales of nervous system drugs grew 14 per cent to \$18.3bn. Growth was particularly striking in the US, with sales up 17 per cent to \$10.1bn. Similar rates of growth were recorded in the UK and Spain.

Also growing quickly is the smaller market in blood agents, which include the new class of drugs designed to lower cholesterol levels in the blood. Sales grew 16 per cent to \$7.8bn. Sales of blood agents to the US grew 25 per cent to \$2.8bn, to Germany 23 per cent to \$715m and 53 per cent in the UK to \$167m.

By contrast, heart drug sales are slow as a result of the expiry of patents on some older products. Sales of heart drugs rose only 4 per cent to \$22.6bn but they remain the biggest single category of drugs.

Sales of digestive system drugs continued to accelerate thanks partly to ulcer drug Losec (known as Prilosec in the US) from Sweden's Astra. Losec is seen as the world's best selling drug, and its sales pushed digestive system drug sales up 9 per cent to \$22.3bn.

INTERNATIONAL NEWS DIGEST

Warning over Peru hostages

The leader of Marxist rebels holding 72 people captive in the Japanese ambassador's home in Peru yesterday warned that any use of force by Peruvian security forces would end in tragedy for the hostages. Mr Nestor Cerpa Cartolino Tupac, Amaru Revolutionary Movement (MRTA) leader, told two Spanish newspapers that he and his followers were ready to die if Peru resorted to military force to end the stand-off.

His hardline stance contradicted weekend reports by Peruvian President Alberto Fujimori who said the Marxist rebels had "implicitly" agreed to drop their key demand and not seek the release of their jailed comrades.

"We know [an assault by the Peruvian army] will be tragic for the gentlemen held captive here. We are sorry for them and for their families," Mr Cerpa was quoted as saying.

Mr Fujimori also said the rebels, who have been holding the hostages in the Japanese ambassador's residence for six weeks, agreed to work toward a solntion "according to Peruvian law". *Agencies, Lima*

Palestinian torture claim

A human rights group has accused Palestinian security forces of torturing to death a detainee in the Palestinian-ruled West Bank city of Nablus.

The Palestinian Society for the Protection of Human Rights and the Environment said Mr Yussef Ismail al-Baba, a 32-year-old Palestinian, died in a local hospital on Saturday. The organisation said the man was arrested in January on suspicion of carrying out "an improper property sale". Witnesses claimed he "underwent severe torture under interrogation and sustained serious injuries". According to the organisation, Mr al-Baba was the ninth person tortured to death since the Palestinian Authority began assuming control of parts of the West Bank and Gaza Strip in 1994.

Palestinian officials said they are investigating the cause of Mr al-Baba's death. Human rights groups claim torture is pervasive in Palestinian prisons, and have said the Palestinian National Authority has not publicised results of previous investigations into deaths of prisoners in custody. *Avi Machlis, Jerusalem*

Mexico murder plot thickens

Mexico's highest profile murder case has been thrown into confusion by an official admission that a set of bones, once thought to be crucial evidence, had been planted.

The murder case against Mr Raúl Salinas, brother of former President Carlos Salinas, suffered its biggest setback to date when eight people were last week charged with planting the bones on Mr Salinas' ranch. Chief among the eight are Ms Francisca Zetina, a professional psychic who led police to the remains, and Ms Maria Bernal, Mr Salinas' former lover.

Mexico's former attorney general, Mr Antonio Lozano Gracia, had previously indicated that the bones were those of a close collaborator of Mr Salinas, with whom Mr Salinas was alleged to have plotted the murder of a political rival. Mr Lozano was dismissed in December, partly because of problems with the Salinas case, and the bones were revealed not to be authentic last month.

Prosecutors now say that three of the officials who had worked on the murder case are also under house arrest. The former special prosecutor for the case has been summoned for questioning, but his whereabouts are unknown. Mr Salinas himself is also charged with illegal enrichment, after having inexplicably built up a fortune of more than \$120m. *Daniel Dombey, Mexico City*

\$142m TB loan for India

The World Bank has approved a \$142m loan to India to fight tuberculosis, the largest sum provided by an international organisation to combat the life-threatening lung disease. The loan will help treat 3m TB patients over five years and will cure 1.5m, the World Bank said. The credit will be extended by the International Development Anthority, the World Bank arm which lends at highly subsidised interest rates to poor countries.

Tuberculosis claims nearly 3m lives worldwide each year, one-fifth of them in India. Earlier this month, 118m Indian children were immunised against polio in what was the world's largest single-day vaccination programme. *Lisa Vaughan, New Delhi*

Australia's Labor wins poll

Australia's federal Labor party, the country's main opposition party, has won its first by-election since losing power to the Liberal-National coalition to last year's general election. Labor held the Canberra-based seat of Fraser comfortably in Saturday's poll. Mr Kim Beazley, opposition leader, claimed the 6 per cent swing to Labor on a two-party preferred basis was a "very good outcome". Canberra, the nation's capital, has been one of the areas most severely affected by the recent federal government expenditure cuts.

However, the government also hailed the result, pointing out that on a primary vote basis (before allocation of preferences) there was a 1.26 per cent swing away from Labor. The Liberal party did not contest the seat directly, although a Liberal-turned-independent candidate did stand. *Nikki Tait, Sydney*

DAY FEBRUARY

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NEWS DIGEST

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Czechs, Poles see delay on entry to EU

The governments of the Czech Republic and Poland have acknowledged for the first time that thay and other east European countries will be unable to join the European Union before 2002. They said their economies would not be ready before then to meet the requirements of EU membership.

"Realistically, the date (for EU accession) will be 2002 or 2003," Mr Vladimir Dlouhy, the Czech trade and industry minister, told tha World Economic Forum in Davos. Mr Grzegorz Kolodko, Poland's deputy prime minister, said: "We are going to join by 2002, not earlier. We know we cannot meet all the membership criteria by 2000."

Mr Kolodko also doubted whether all the 10 central and eastern European countries which have applied to join the EU would succeed, even if they satisfied fully the membership criteria. Ha said the EU had yet to resolve the question of how many additional members it could absorb.

Both ministers dismissed as unrealistic recent assurances by Chancellor Helmut Kohl of Germany and President Jacques Chirac of France that the EU's first east European members would join by the year 2000. The ministers said the timetable would be determined by economic factors, not by political statements by EU leaders.

Officials in Brussels have admitted privately for some time that even if negotiations with east European applicants could be completed by the year 2000, the need to secure parliamentary ratification of their accession agreements in the 15 existing member states would be likely to delay the next enlargement until 2002.

By accepting that timetable publicly, and emphasising that their countries' applications still faced big practical hurdles, the ministers appeared to be trying to lower expectations of early entry among their electorates and prepare them for further painful economic restructuring.

Mr Dlouhy warned, however, that the results of that restructuring must quickly be reflected in progress in membership negotiations with the EU, which are expected to begin next yaar. Otherwise, he said, there would ba a risk of a "Eurosceptic" backlash in the applicant countries.

Sir Leon Brittan, EU trade commissioner, said yesterday that too much attention had been paid to the date of enlargement, and not enough to the economic and institutional changes which it would require of the EU and applicant countries.

Ha said these should be a much higher priority for the EU's intergovernmental conference.

Guy de Jonquières

$70BN A YEAR URGED FOR INFRASTRUCTURE

Latin America 'needs big investment boost'

Latin America will have to invest up to $70bn a year on upgrading and repairing the continent's infrastructure over the next decade to make up for years of under-investment, according to a leading Latin American banker.

Mr Enrique Iglesias, president of the Inter-American Development Bank, told a seminar at Davos that Latin America's infrastructure problems were not unique but the scale of the task was huge following the 1980s debt crisis "when we lost a third of the investment we used to have in the 1970s".

Latin America is expected to grow at a rate of 4 to 5 per cent a year and pressures for closer integration of the regional economies mean that over $1bn a week needs to be spent on infrastructure projects – ranging from water and sewage, to roads, telecommunications and the provision of energy supplies.

Mr Ricardo Lagos, Chile's minister of public works, said that Latin America had 10 per cent of the world's population and 16 per cent of the land, but only 3 per cent of the paved roads.

Europe had 2,000 km of paved road per milllon inhabitants, compared with 600 in Latin America.

Although Chile has a comparative advantage in forest products, transport accounts for 46 per cent of the total cost and in Chile's case the cost of transporting a ton of forest products is three times the cost in Canada.

Moves towards closer economic integration would be "very difficult without adequate investment in infrastructure", he said.

> Europe has 2,000 km of paved road per million inhabitants, compared with 600 in Latin America

Most of Brazil's exports to the Far East, for example, go via the Atlantic and there is an urgent need for a big east-west highway so that Chilean deep water ports on the Pacific, snch as Mejillones, can develop as outlets for Latin American exports to the Pacific rim.

Chile has been one of the pioneers of using private finance in infrastructure projects.

However, Mr Lagos estimated that only 3,000 km of Chile's 80,000 km of highway were suitable for private sector funding, and private toll roads were only viable with a government guarantee of 75 per cent of the traffic.

Private money was extremely important but it was not going to replace public money in financing the big highway projects which would be needed to make economic integration a sncess in Latin America, said Mr Lagos.

Ms Janlce Perlman, founder of the Mega-Cities Project, a US think tank, said that one reason for the under-investment in Latin America's infrastructure, was that it had never been regarded as a "hot topic".

The fact that infrastructure projects took so long to build was a big political disincentive since the politicians who voted for a project were often not in power when the project was completed.

Nevertheless, Mr Bernardo Quintana, chief executive of Ingenieros Civiles Asociado, a large Mexican construction company, forecast that over the next 15 years more infrastructure would be built in Latin America "than is available now".

William Hall

Developing nations 'must open markets'

The US has warned it will have increasing difficulty pursuing liberal trade policies unleas the most advanced developing economies in Asia and Latin America commit themselves to making their national markets as open as that of the US.

Mr Stuart Eizenstat, under-secretary of commerce for international trade, said such reciprocity was essential to persuade the US Congress and public to continue to back frea trade at a time when the US faced "the strongest protectionist pressures since the second world war".

Mr Eizenstat said the battle between pro- and anti-free trade forces in the US would reach a climax when Congress debated President Bill Clinton's request later this year for a new mandate to negotiate international trade agreements.

He expected debate to go beyond specific trade deals and involve a wide range of sensitive domestic interests. It would become a rallying point for protectionists and the outcome would "say a lot about the future direction the US will take" in international economic policy.

Mr Eizenstat said the debate would be influenced by the results of negotiations in the World Trade Organisation to free trade in information technology products and basic telecommunications services.

Unless enough richer developing economies made satiafactory liberalisation offers in the next few weeks, "we simply won't sign these agreements," he said.

He said richer developing countries, auch as Korea, Malaysia, Brazil and Chile, had not yet realised that their readiness to liberalise on a reciprocal basis would have an important impact on the Clinton administration'a ability to resist protectionist pressures at home.

Washington did not expect these countries to open their markets immediately, but wanted them to agree to firm timetables for lowering trade barriers to US levels. Failure to do so would make it harder for Washington to grant trade preferences to the poorest countries.

He said the US was willing to allow China time to open its market but would bar its membership of the World Trade Organisation until Beijing made further liberalisation commitments. These had to include privatisation of state-owned industrles, lowering industrial tariffs further and removing quotas and foreign investment restrictions.

Eizenstat: sought reciprocity

He said China's trade surplus with the US was a source of growing concern, but he did not expect it to threaten annual renewal by Congress of China's Most Favoured Nation trade status this summer.

Mr Eizenstat said President Clinton planned extensive consultations with Congress before submitting a request for new trade negotiating authority.

The administration had not decided whether to ask for a mandate only to negotiate Chile's admission to the North American Free Trade Agreement and the creation of the planned Free Trade Area of the Americas – or whether to seek broader authority covering other possible deals.

Guy de Jonquières

DAVOS NEWS DIGEST

US, Swiss near Nazi gold accord

The US and Switzerland are close to finalising an agreement which will permit a full exchange of official documents covering the seizure and disposal of Nazi gold. The documents involved will also cover the diplomatic background to the 1946 Washington agreement under which Switzerland paid SFr250m and the allies waived all claims against the Swiss government and the Swiss National Bank relating to gold which Switzerland acquired from Germany during the second world war.

The agreement, which will take the form of a memorandum of understanding, was discussed by Mr Stuart Eizenstat, the US administration official dealing with the Nazi gold affair, and Mr Flavio Cotti, the Swiss Foreign minister, in Davos. Mr Eizenstat has been leading an international effort to resolve the dispute over Switzerland's war-time role in dealing with Germany.

Switzerland's overseas critics have argued that the country has been dragging its feet in investigating its past. The Swiss, by contrast, argue that a proper investigation will take time and they should not be rushed into early judgments on very complex issues. Mr Eizenstat's initiative is another sign of the growing co-operstion between the US and Switzerland on the complex task of trying to make a sensible judgment about what happened more than 50 years ago.

There is a considerable body of published research from the Swiss side but very little work has been done on the substantial US archives. This will be reflected in the first report by a US inter-agency task force on Nazi gold, due next month.

Mr Eizenstat also said that it appeared that Switzerland had turned away far more Jewish refugees than first thought and had taxed the Swiss Jewish community more heavily than realised. *William Hall and Guy de Jonquières*

Mideast talks 'productive'

Israeli and Palestinian leaders, at what they called positive and productive talks in Switzerland, yesterday agreed to meet again on Thursday for detailed talks on extending Palestinian self-rule. Israel's prime minister, Mr Benjamin Netanyahu, said the agreemant reflected "a great feeling of hope" and he was confident that he and Mr Yassir Arafat, president of the Palestinian Authority, could overcome the obstacles to Middle East peace.

Egyptian President Hosni Mubarak said that new peace talks between Israel and Syria were inevitable and could take place at any time.

Mr Mubarak was speaking after his own meeting with Mr Netanyahu, their first for more than six months. Mr Mubarak had refused to meet the Israeli leader until he reached agreement with the Palestinians on the West Bank town of Hebron. Mr Netanyahu and Mr Arafat clinched a Hebron agreement last month.

Mr Mubarak told a news conference that Mr Arafat was pessimistic but after seeing Mr Netanyahu, the Palestinian leader's mood had much improved. *Reuter*

Italy eyes permanent UN seat

United Nations officials attending the Davos meetings this weekend have been regaling friends with the story of an unexpected recent lobbying campaign by Italy. It seems that the Italians, following on the example of the Germans and the Japanese, are demanding a permanent seat at the Security Council. "After all," they are said to be arguing, "we lost the war too." *Foreign Staff*

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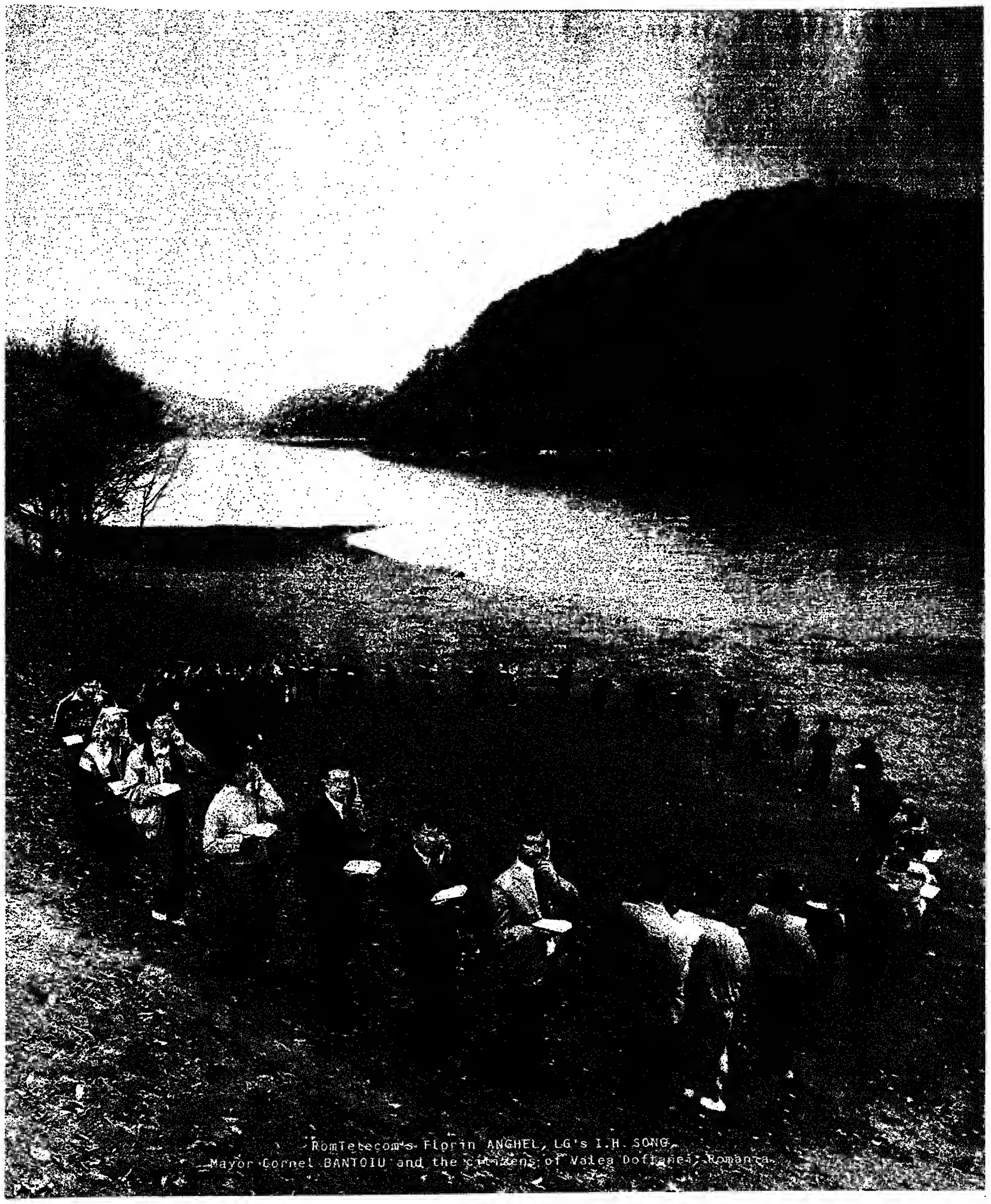

RomTelecom's Florin ANGHEL, LG's I.H. SONG,
Mayor Cornel BANTOIU and the citizens of Valea Doftanei, Romania.

it's nice to meet you.

A miracle is happening in Prahova Province, Romania.

Villagers who once waited years for telephone service are now connected by digital switches and fiber-optic cable to anywhere in the world, part of a US$75 million project between LG Information & Communications and RomTelecom.

We're active in many other businesses too, like multimedia processors, industrial and information systems, securities underwriting, and genetic engineering.

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http://www.lg.co.kr/

NEWS: UK

Senior spokesman says it could be difficult to remain outside after 2002

Labour hints it would join Emu

By George Parker, Political Correspondent

Senior figures from tha governing Conservative party last night prepared to turn the European single currency into a key election issue, after Mr Robin Cook, the opposition Labour party's foreign affairs spokesman, gave the strongest sign yet that an incoming Labour government would sign up to the Euro.

Mr Cook, one of the most Eurosceptic members of tha sbadow cabinet, surprised many of his own colleagues wben, speaking during a television interview, he said it would take "a very sober and serious calculation to stay out beyond 2002".

Echoing comments made by Toyota, tbe Japanese vehicle maker, last week, he warned that Britain would lose out on inward investment if it stayed outside the single currency in the long term. "If it goes ahead and if it succeeds – in other words if it is stable – then yon cannot stay out," he said.

"In the long run, if we are outside a single currency, people in Tokyo or Dallas making inward investment decisions are more likely to look at the inner core within the currency rather than those outside," be added.

His remarks delighted Conservative strategists, who now believe they can turn the general election, which must take place by May, into a battle for the future of sterling. "This will make it easier for us to campaign on Europe ae an issue," said one.

The Conservatives are committed to a "wait and see" approach to the single currency, largely due to insistence by Mr Kenneth Clarke, the chief finance minister, that Britain sbould keep its options open on wbether to join tbe first wave. But Tory election campaign chiefs now appear happy to sidestep the formal manifesto position, and highlight the fact that the party is unlikely to surrender the pound in practice.

Conservative party managers are now even making a virtue of tha fact that up to 150 Tory election candidates are expected to set out their opposition to tbe Euro, in defiance of official policy.

One minister said: "Robin Cook's comments reinforce what everyone ougbt to know – a Labour government would take us down the path towards a federal united states of Europe."

Mr Cook's comments on the single currency delighted snpporters of Mr Gordon Brown, the pro-Euro Labour finance spokesman. Mr Cook's caution over the Euro has long been a source of tension at the highest level among the opposition.

Mr Cook also repeated his belief that there was only a "50-50 chance" of a single currency starting in 1999. Striking a more familiar Eurosceptic note, be also suggested a Labour government could use the UK's presidency of the EU in the first half of 1998 to forge "an alliance" of countries opposed to greater integration.

Japanese question executives over Emu

By William Dawkins in Kyoto

Senior Japanese businessmen and bankers warned this weekend that Britain should not drift apart from its European neighbours. But they said, at a private meeting with UK counterparts, that they understood UK scepticism over monetary union.

A visiting delegation of UK politicians, top executives and government officials faced a barrage of detailed qnestions over Britain's wait and see attitude to Emu at the annual meeting of the UK-Japan 200 Group, a private sector body devoted to furthering bilateral relations.

The meeting, wbose proceedings are not attributable to individual delegates, produced the clearest explanation yet from Japanese corporate investors of bow they think British scepticism over Emu might affect their European interests, and did much to assuage their concerns.

Most members of the Japanese delegation agreed that last week's warning by Mr Hiroshi Okuda, president of Toyota, that Japan's largest car company migbt place new investments elsewbere if Britain stayed out of Emu, had more impact than intended.

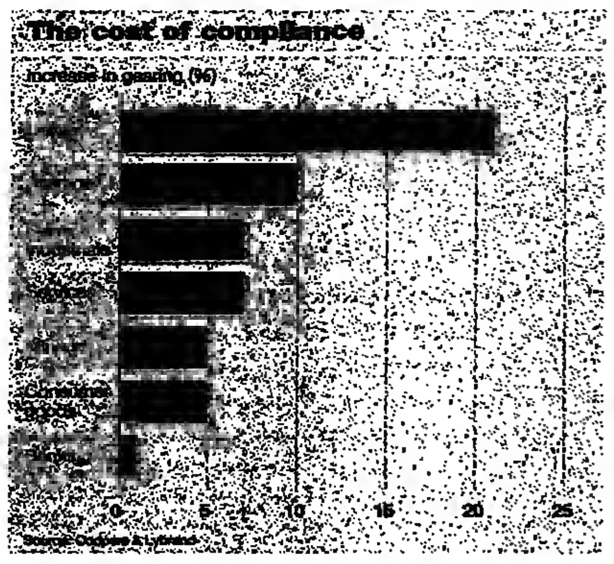
Two chairmen of leading Jepanese multinationals stressed that they did not plan to change UK investment plans on the strength of Britisb membership or non-membership of a single European currency. Japanese bankers present agreed that tbe City of London's attractiveness as an international capital centre would not be diminished if Britain were to stay ont of Emu.

Tbe Kyoto meeting showed a growing realisation by Japanese businessmen that, bowever surprising it might have appeared a few a months ago, some move towards Emn is possible, and that their interests could be affected.

But beneath the Japanese attempts to calm the controversy, the consensus yesterday was that Japanese companies' interests as investors in Britain, and exporters from the UK to continental Europe, would on balance be best served by eventual UK membership of Emu.

Global tax policy may raise gearing

By Jim Kelly, Accountancy Correspondent



Accounting for tax in line with the new international code, rather than the UK's unique system of partial provisioning, would add 10 per cent to the gearing of the UK's top 90 companies.

The utilities would be hit hardest, according to a survey by accountants Coopers & Lybrand. They would see gearing increase by an average of 21 per cent – compared with just 1 per cent for the banking sector.

The figures will help fuel the debate about wbether the UK sbould follow the global accounting code being developed by the International Accounting Standards Committee under the leadership of Sir Bryan Carsberg.

The survey looks at the effect of accounting for tax using a method less severe than the one chosen by the IASC. If its full provisioning method was used, the average increase in gearing could be greater still by between 1 and 5 percentage points.

Capital intensive sectors are hit hardest by full provisioning for tax because they attract allowances whicb can defer tax payments indefinitely.

Last week Sir David Tweedie, head of the UK's Accounting Standards Board, indicated that he was seeking support for a policy of backing global barmonisation, but taking an independent line on some issues.

"This is one of the first tests of what accounting harmonisation means for the UK," said Mr Roger Davis, head of audit and accounting at Coopers & Lybrand.

There is a recognition in industry that the UK cannot go its own way on too many issues as this could undermine tbe credibility of accounts and lead to an increase in the cost of capital. There is likely to be a debate this year on whether accounting for tax should be one of the exceptions.

While tbe present UK method is unsustainable, the ASB may seek support for a less severe method – such as the one used by Coopers & Lybrand for its survey and known as the committed transaction method. Under this method, companies must provide for tax if they are committed to a transaction which will increase liability. But tax would not, for example, be provided for when liabilities arise due to asset revaluations.

Gearing is a measure of the extent to which a company is financed by debt rather than equity. It is a key analytical indicator and is tracked by the markets. Any sudden change would be seen as disruptive and would hit share prices.

"It sbould not logically affect the market but it could," said Mr Peter Holgate, accounting technical partner at Coopers.

Currently UK companies make a partial provision for deferred tax – based on a view of those tax liabilities that are likely to arise in the medium term. The method was devised so that companies were not weighed down with liabilities that would never materialise due to tax allowances. But they do have to disclose the full theoretical liability.

Social chapter 'no threat' to competitiveness

By Robert Taylor, Employment Editor

Tbe UK government's assertion that the European Union's employment policies would threaten the conntry's competitiveness if it signed the social chapter is strongly challenged today in an EU-commissioned report on the UK labour market.

The study by Mr Peter Robinson at the Centre for Economic Performance in London also denies that the UK government's lsbour market reforms explain the country's falling unemployment and improved productivity.

Tbe report appears to endorse the Labour party's employment strategy by saying "there is a good case for cantiously reversing some of tbe cbanges" on employment protection and minimum wage regulation carried ont by tbe UK government.

Although the report states "it does not necessarily represent the commission's official position", the fact that Brussels has published such a critical report so close to a general election will anger UK ministers. They intend to make the threat of EU social directives to the UK a key election issue, arguing Labour's commitment to sign tbe social chapter would cost jobs.

Mrs Gillian Shephard, the edocation and employment secretary, said yesterday sbe found it "incredible" that the European Commisston claimed credit for the UK's falling unemployment. Mrs Monika Wulf-Mathtes, EU commissioner for tbe regions, had said EU structural funds had belped create 750,000 jobs in the UK.

The report questions the UK government's attitude to EU labour market policies arguing "specific measures brought forward under the social chapter of the Maastricbt treaty are likely to have very little effect on the UK labour market.

"The most significant aspects of deregulation in the UK have occurred in collective industrial relations and pay determination" and "in practice the European Commission has pnt forward no directives whicb would materially affect these areas or require the UK to roll back any of the legislative changes made since 1979.

"Most EU directives which have had effects in the field of individual employment rights have had nothing to do witb the Maastricht treaty and have generally reinforced the tendency to codify those rigbts in the UK anyway in areas which have seen hardly any net deregulation," it says.

UK NEWS DIGEST

Labour attacks Tube sell-off

The opposition Labour party yesterday said that the government was planning to sell London Underground, the capital's train subway network, "on the cheap", after it emerged that ministers estimate the privatisation might raise as little as £600m ($972m).

A document leaked to a Sunday newspaper said that a cabinet paper written by Sir George Young, tha senior transport minister, suggests the sale could raise between £600m and £1.4bn, far short of the network's widely estimated value of £13bn.

Sir George refused to deny the authenticity of the leaked document, but said: "We are seeing whether the real improvements we are seeing on the [franchised] railways can be applied to London Underground." Labour said the plan was "driven by dogma" and would lead to fare increases and service cuts. *George Parker*

■ TOURISM

Hotel rating scheme adopted

The English Tourist Board yesterday announced the adoption of a single five-star ratings system for hotels in a move aimed at ending years of confusion over the quality of rooms and services. However, the Scottish Tourist Board is refusing to join the system, and will continue with its own scheme.

The English system will use the international system of five stars. It will cover all hotels, with a similar scheme for bed-and-breakfast facilities, guesthouses, farmhouses and inns. It takes into account the quality of accommodation and emphasises the facilities provided. The Wales Tourist Board is expected to adopt a similar system. Scotland's scheme, in contrast, stresses quality over facilities.

■ MOTOR SALES

Car prices 'pitched too high'

Car manufacturers and franchised dealers have pitched new-car prices too high to attract the majority of private bnyers and are pouring more than 300,000 of their own "short cycle" cars into the used-car market each year, according to a report by Cardiff Business School.

These vehicles, accounting for more than 15 per cent of the 2m new-car market last year, are made up of manufacturer and dealer company cars, courtesy cars, fleet and dealer demonstrators, and cars for associated companies and suppliers. *John Griffiths*

New Car Sales, Centre for Automotive Industry Research, Cardiff Business School, CF1 3EU. £100.

■ BUDGET

Property industry faces £83m bill

The commercial property industry could face an £83m ($134.46m) bill to comply with regulations introduced in the Budget, according to the government's deregulation task force. Landlords will need to invest in new systems and employ large numbers of extra staff to handle the change, which is designed to close a £110m tax loophole.

The rules are an attempt to prevent businesses that do not charge value added tax, notably financial services companies, from exploiting a complex loophole to reduce VAT on their property costs. In addition to the cost of the new systems, tbe Britisb Property Federation estimates the on-going compliance costs for landlords will be up to £20m a year. *David Wighton*

■ COMPETITION

EU warning on windfall tax

The Labour party's plans to impose a windfall tax on companies sold off by the UK government could fall foul of European Union competition law, officials in Brussels said yesterday. It would run into difficulties with the competition authorities if it was applied to one company but not to its direct domestic competitors.

"If there are companies which are objectively in the same position and some are taxed and some are not, that could pose a problem," said an official. However, if a tax were charged on a company that enjoyed a monopoly, there would be no legal difficulties.

■ GIFTS

Charity donations static

Fears about the National Lottery's impact on charities will be revived this week by new information showing "stagnation" in charitable donations from the public. The total income of 100 leading charities as measured by the Barclays/NGO finance charity 100 index rose by a negligible 0.7 per cent during the four financial quarters from October 1995 to the end of September 1996, which covers the first full year in which charities faced competition from the lottery.

By comparison, during the three years from January 1992, annual growth in total income, as measured by the index, comfortably outpaced the retail prices index. The average year-on-year rise was 8.75 per cent. *Alan Pike*

'Golden numbers' ring up a fortune

By Alan Cane

The 21st Century Numbers Company, based in northern England, is selling the telepbone number "07000 millennium" and its mobile eqnivalent "0321 millennium" at £1m ($1.62m) for the pair.

The offer is the most spectacular example of tbe growth of the "golden numbers" pbenomenon in tbe UK, wbere customers are prepared to pay large sums of money for appropriate or easy-to-remember numbers. Many are buying special numbers as an investment, speculating that they will increase in valne.

The growth of the market is being boosted by a return to keypads which feature letters as well as numbers, making it possible to dial a word instead of a number.

The company said it had turned down a bid of £50,000 for the millennium numbers from a US group.

Oftel, the UK telecoms regulator, has reserved 1bn "personalised" numbers with the 07000 prefix after witnessing explosive growth in the business in the US.

Manchester factory's low wage bill entices light bulb maker

German group shifts production

By Peter Marsh

Osram, the world's second biggest maker of light bulbs, is expanding its factory near Manchester and moving some production from Berlin after finding employment costs in the UK are a third of those in Germany.

The move could create up to 200 jobs at Osram's plant in Sbaw, whicb already employs 500. Osram is part of Siemens, the German electronics and electrical engineering group.

Osram made its decision after finding total employment costs in Shaw – including wages and costs such as social benefits and employment taxes – were only 34 per cent of those in Berlin.

In the same study, the US came out as having 60 per cent of the employment costs of Berlin, while the figure for Mexico was 4 per cent.

In an interview with the Financiel Times, Dr Wolf-Dieter Bopst, president of Osram, said it was also influenced by the Shaw factory's record on flexible working, for example allowing rapid changes to shift patterns depending on demand, and the high quality of its engineering department.

The project is expected to involve an investment of £10m. This will mainly cover machinery to make specialist pboto-optic light sources – high-intensity lamps used in industries such as television broadcasting, airports and warehousing.

Dr Bopst said tbe Shaw factory had emerged from a Europe-wide analysis as the best plece to build up production of pboto-optic lemps, alongside Osram's existing manufacturing site for these prodncts in Berlin.

Pboto-optic lamps, whicb can cost several hundred pounds, are one of the fastest growing parts of the worldwide lighting industry. They account for only about 4 per cent of Osram's total annual sales of some DM6bn (£2.2bn), but their share is growing by about 20 per cent e year.

Under the plan, annual outpnt at the Sbaw plant, whicb is currently worth ebout £22m, could increase by a third by 2000.

THE WEEK AHEAD

DIVIDEND & INTEREST PAYMENTS

■ **TODAY**
Abbey Natl Treasury Svs 8% Gtd Nts 1997 $80
Aberdeen Corpn Gas Annuities 12.5p
Acal 3.16p
AEA Technology 2.75p
Bell Atlantic Corpn $0.72
BellSouth Corpn $0.38
Blacks Leisure 1.25p
BOC Group 14.5p
British Petroleum 5p
City of New York 8.375% Series A Euronotes 1997 $355.94
Do 6.750% Series B Euronotes 1998 $376.88
Do 7% Series C Euronotes 1999 $390.83
Do 7.375% Series D Euronotes 2000 $411.77
Close Brothers Venture Capital Tst 1.6p
Frederick Cooper 1.95p
Dunedin Income Growth Inv Tst 3.5% Cm Pf £1.75
Electric and General Inv Co 1.8p
Greene King 4.75p
Johnson Matthey 4.7p
London Industrial 4.5p
Lowndes Lambert 2.9p
Lynx 1.3p
Marling Industries 0.12p
Monks Inv Tst 3.5p
Moorepay Group 2.25p
Natl Home Loans 1.3p
Norbain 3p
Plysu 2p
Ransomes 0.75p
Christian Savisen 20.8p
Sanderson Electronics 2.2p
Scapa 1.92p
Seiyu 3.80% Bds 1999 Y380,000
South West Water 8.375% Nts 1998 £8.375
Sumitomo Realty & Dvlpmnt 3.90% Nts 2000 Y390000
Syltone 2p
Tiger Oats 5.5% Gross Cm Pf R2 R0.055
Eliza Tinsley 2.1p

■ **TOMORROW**
Bogod 0.12p
Do 'A' Res Vtg 0.24p
Consolidated Company Bultfontein Mine R0.045
De Beers Consolidated Mines 40% Gross Cm Fp R1
Do 8% Gross Cm 2nd Pf R0.04
EuroDollar 2p
Griqualand West Diamond Mining Co Dutoitspan Mine R0.21
Meconic 2p
Tate & Lyle 11.7p
Thames Water 11.2p
Volex Group 7.35p

■ **WEDNESDAY FEBRUARY 5**
Henderson American Cap. & Inc Tst 1.8p
Kloof Gold Mining R0.55
Loades 1p
MEPC 14.75p
Perstorp Free B Series Skr2.50
Randfontein Estates Gold Mining Co. R0.50

■ **THURSDAY FEBRUARY 6**
Treasury 7% Cv 1997 £3.50
Treasury 8% 2012 £4.50
Calor Grup 40p
Clayhithe 0.88p
Exmoor Dual Inv Tst 1.12p
Do Incoma SHS 1.6p
South Africa (Republic of) Refresh Tranche A Perp Sec FRN Y1613151
Do Tranche B Perp Sec FRN Y1663582
South West Water 10⅝% Bds 2012 £1062.50
Wellman 0.45p

■ **FRIDAY FEBRUARY 7**
9.375% Nts 2006 £93.75
Vaux Group 7.04p
Avon Rubber 13.75p
Barcom 0.8p
Boots 6.2p
Eldridge, Pope 'A' Res Vtg 3.45p
Gartland Whalley & Barker 0.32p
Latham (James) 2.75p
Marubeni Int Finance Dual Currency Yen/US$ Bds 1997 Y650000
MFI Furniture 1.7p
M&G Second Dual Tst 18.1p
Pall Corpn $0.14
Pearson Sterling Finance 10¾% Gtd Bds 2002 £537.50
Racal Electronics 2.1p
Sidlaw 1p
Utility Cable 0.49p

■ **SATURDAY FEBRUARY 8**
Moran 0.5p
Northern Foods 6¾ Cv Sb Bds 2008 £33.75
Somic 1.25p

■ **SUNDAY FEBRUARY 9**
Coats Viyella 6¼% Senior Cv Bds 2003 £31.25
Crown Eyeglass 4.5p

UK COMPANIES

■ **TODAY**
COMPANY MEETINGS:
Dewhurst, Melbourne Works, Inverness Road, Hounslow, Middlesex, 11.00
BOARD MEETINGS:
Finals:
European Assets Tst
Interims:
Media Business Group
Mid Wynd Int
TR Smaller Cos Inv Tst
US Smaller Cos Inv Tst

■ **TOMORROW**
COMPANY MEETINGS:
Archimedes Inv Tst, Royex House, Aldermanbury Square, E.C., 12.30
Sidlaw Group, Stakis Edinburgh Airport Hotel, Edinburgh, 12.00
Waterfall, 222, Grays Inn Road, W.C., 10.00
BOARD MEETINGS:
Finals:
Gartmore British Inc & Gwth Tst
St Andrew Tst
Interims:
Stoves

■ **WEDNESDAY FEBRUARY 5**
COMPANY MEETINGS:
Carlton Communications, Armourers Hall, 81, Coleman Street, E.C., 10.30
Dwyer Estates, 100, Liverpool Street, E.C., 12.00
Stakis, Stakis Glasgow Airport Hotel (The Normandy), Inchinnan Road, Renfrew, Scotland, 12.00
Utility Cable, 12, Appold Street, E.C., 10.00
BOARD MEETINGS:
Finals:
Eurocamp
Interims:
Betacom
British Sky Broadcasting

■ **THURSDAY FEBRUARY 6**
COMPANY MEETINGS:
API Group, Howard Hotel, Temple Place, W.C., 12.30
Bass, Queen Elizabeth II Conference Centre, Broad Sanctuary, Westminster, S.W., 12.00
Denmans Electrical, Narrow Quay House, Prince Street, Bristol, 12.30
Jordic Group, 14, Millbrook Road, Yata, Bristol, 12.00
Quadramatic, Stanneylands Hotel, Wilmslow, Cheshire, 3.30
RCO Holdings, 20, Old Bailey, E.C., 3.00
Regent Corp., Chartered Accountants' Hall, Moorgate Place, E.C., 10.00
BOARD MEETINGS:
Finals:
Continental Assets
Crest Nicholson
ICI
Interims:
Westminster Healthcare

■ **FRIDAY FEBRUARY 7**
COMPANY MEETINGS:
Chemex Int, 44, Worship Street, E.C., 11.00
Eldridge, Pope & Co., Dorchester Market Hall, Weymouth Avenue, Dorchester, Dorset, 12.00
Hozelock Group, Hartwell House Hotel, Oxford Road, Aylesbury, 11.30
Tunstall Group, Whitley Lodge, Whitley Bridge, Yorkshire, 2.00
BOARD MEETINGS:
Finals:
Amicable Smaller Enterprises
Heavitree Brewery
Murray European Inv Tst
Warrants & Value Inv Tst

Company meetings are annual general meetings unless otherwise stated.

Please note: Reports and accounts are not normally available until approximately six weeks after the board meeting to approve the preliminary results.

This list is not necessarily comprehensive since companies are no longer obliged to notify the Stock Exchange of imminent announcements.

THIS WEEK

A general theory of Gaullism

DATELINE

Paris: the views of the Fifth Republic's founder may not survive Chirac, particularly after monetary union, writes David Buchan

Even when Charles de Gaulle was still president, many thought the main features of Gaullism would not outlive him. in January 1968, before the general met his biggest test on the streets of Paris, an opinion poll showed that 40 per cent of the French did not think the Fifth Republic would outlast its founder. Only 30 per cent thought it would.

How wrong the 40 per cent was. Power has shifted from right to left and back again, left and right have even cohabited, and the Fifth Republic has lasted. So has Gaullism. After e 21-year gap, Jacques Chirac's 1995 presidential victory put a Gaullist back in the Elysée. The neo-Gaulliet party he founded, the Rassemblement pour la République (RPR), is the biggest in the Netional Assembly: the party's president, Alain Juppé, is prime minister.

But can Gaullism survive Chirac? This question is now being posed by opposition leftwing politicians. They point to his decision to try to return France to Nato's integrated military command, which de Gaulle pulled out of in 1966. Chirac has, of course, said the price for France's return is reform of Neto, putting more Europeans in top command posts. But he has yet to get what he wants from Washington. Chirac has threatened to keep French forces outside Nato if his demands are not met.

But the French president's threat is starting to look like bluff. The defence agreement he has recently signed with Germany's chancellor, Helmut Kohl, situates Franco-German security firmly within Neto, and under Uncle Sam's nuclear umbrella. If Chirac hacks down on his demands for a Europeanisation of Nato, many Gaullists will join the left in criticising him.

The left also accuses Chirac of reversing the nationalisations which de Gaulle oversaw just after the second world war. This is an overblown charge for the majority of Gaullists, who see most recent privatisations as a welcome reversal of aocialist takeovers of the early 1980s. But some Gaullist hackhenchers worry about government plans to sell off state defence companies such as Aerospatiale, maker of the missiles that carry the general's nuclear *force de frappe*. They also criticise the government for allowing Brussels to grind away at the monopoly rights of state utilities.

Worse for some Gaullists is Chirac's commitment to subsume the franc into the euro. At a seminar last week in Paris on "the modernity of Gaullism", the 86-year-old Maurice Schumann, who was the voice of Gaullism on the BBC from wartime London, thundered against the loss of budgetary and fiscal sovereignty that he was eure would follow in the wake of the single currency. He demanded a referendum on the issue.

Those far younger took up the cry. One such is Henri Guaino, the 39-year-old *commissaire au plan* who has inherited the institution that successfully planned France's post-war reconstruction bnt has now been reduced to a *think-tank* by development of the market economy and European integration. Guaino, e close associete of Philippe Séguin, the National Assembly's Eurosceptic Gaullist president, appealed to the French not to resign themselves to the effects of rampant *mondialisation* of the economy.

The survival of Gaullism lies in its flexibility. Its core is patriotism (if you like it) or nationalism (if you do not). It has its phrases, like the general'e wonderfully vague hankering after *"une certaine idée de la France"* and his claim that *"la France ne peut être la France sans grandeur"*. It has its attitudes, drawn from the great moments of the general's career, teaching the French that there are times (1940) when they must resist, and times (independence for Algeria) when they must adapt. It has its themes – independence of the country, authority of the state, and firm leadership.

But tt has no doctrine, certainly not on economics, to restrict its eppeal. Gaullism is therefore to be found across the political spectrum, and does not necessarily embrace everyone in the RPR. A 1991 opinion poll found that while only 55 per cent of RPR supporters described themselves as Gaullists, 10 per cent of Socialists and 32 per cent of National Front members did. This gave statistical backing to André Malraux's earlier description of Gaullists as everyone riding "on the metro at 6pm".

But Europe divides Gaullists. Some Gaullists – they clearly includa Juppé and probably Chirac – feel they can switch their goals and ideals from the nation-state on to the European Union which would he France writ large. Thus, by a single currency as well as e common defence, Europe can be made effectively independent of the US. It is striking how France's Gaullist leaders these days justify the euro as making Europe a monetary power on a par with the US and Japan.

Others – and they inclnde Séguin – are reluctant to make this leap. They tend to see the EU's prime effect as undermining the euthority of the nation-state and the ability of its government to exercise firm leadership. These two groups of Gaullists may well never seriously part company while Chirac is president, but they are likely to do just that if Juppé and Séguin ever compete to succeed him.

The Monday Profile: Stephen Bollenbach, Hilton Hotels

Dealmaker full of beans

Stephen Bollenbach is a man in a hurry. He has been chief executive of Hilton Hotels for less than a year – his first anniversary is on Wednesday – and he is already on his second big deal.

A few months ago, Bollenbach raised eyebrows when he pipped the rival ITT leisure group in a long-running tussle for ownership of the Bally Entertainment casino company, paying $3bn (£1.8bn). But tt now turns out that this was just a dress rehearsal for the real thing.

Last week, Bollenbach astonished the leisure industry hy launching a $6.5bn hostile hid for ITT itself. If successful, the takeover will create tha world's largest hotel and casino company, combining the Hilton hotel chain with ITT's Sheraton hotels and joining the two companies' extensive gambling operations.

With hindsight, perhaps the move was not so surprising. Bollenbach, after all, has a history of dealmaking – most recently et Walt Disney, where as chief financial officer, he engineered the company's $19bn takeover of Capital Cities/ABC, one of the world's biggest mergers.

A native of southern California, Bollenbach holds a bachelor's degree in finance from the University of California at Los Angeles and a master's degree in management from California State University. But he credits the legendary shipping tycoon Daniel Ludwig for much of his business and financial acumen.

Ludwig, reputedly one of tha world's richest men – and certainly one of the crabbiest – had interests ranging from hotels in the Caribbean to coal mines in Australia. Bollenbach joined him in 1968 and stuck with him for 12 years, holding a series of positions in financial management.

Bollenbach's first move into the leisure and entertainment business came in 1986 when he became chief financial officer of Holiday Corp, owner of the Holiday Inn hotel chain. There, he organised a restructuring that resulted in a share price appreciation of 250 per cent in two years.

Next, in 1990, Bollenbach picked another odd challenge hy joining Donald Trump at a time when the real estate magnate's fortunes were at rock-bottom. He spent two years helping Trump restructure his business empire.

After that, it was back to hotels. As chief financial officer of Marriott, Bollenbach led the break-up of the company into Host Marriott and Marriott International, and became chief executive of Host Marriott. But in 1995, he left to become Walt Disney's chief financial officer.

Bollenbach's brief tenure at Walt Disney ended shortly after the Capital Cities/ABC deal, when chief executive Michaal Eisner appointed Hollywood talent agent Michael Ovitz as president. Bollenbach strongly opposed the appointment, arguing that Ovitz wasn't up to the job: so when Barron Hilton, chairman and chief executive of Hilton Hotels, approached Bollenbach, he was knocking on an open door.

At Hilton Hotels, Bollenbach became the first person outside the founding family to take the chief executive's job. The company badly needed fresh blood, having long since lost its direction. Barron Hilton, who controls about 25 per cent of the shares, had offered to sell the company at least twice, but could not get a high enough price. He had also considered a break-up or spinning off the gambling side, abandoning the plan last year and bringing in Bollenbach instead.

Critics say Bollenbach is just a financial wheeler-dealer with no solid management record to compare with that of Rand Araskog, who has been at ITT for 30 years – the last 17 of them as chairman and chief executive. "He'e all sizzle: there's no steak there at all," says a critic in the ITT camp. "Bollenbach has had a string of jobs. He does a lot of sizzly, visible financial engineering, then when people start to take a look and get closer, he'a gone."

Still, a little sizzle does not seem to have done Hilton's shareholders any harm: since Bollenbach joined, the company's share price has risen 55 per cent. But he is not, say those who know him, just a boring bean counter.

Some evidence of this emerged in December when Bollenbach blew the whistle on Michael Ovitz in an explosive article in Vanity Fair magazine, portraying him as almost comically out of his depth at Walt Disney. "The point was, Michael Ovitz didn't *understand the duties of an executive* at a public company, and didn't want to learn," Bollenbach was quoted as saying. Days after the article appeared, Ovitz quit.

This episode might suggest a vengeful streak but friends say Bollenbach has an unusual ability to work well with difficult people – witness his years with Ludwig and Trump.

"The thing that makes him so effective is his personality," says someone who knows him well. "He's not autocratic. He very mnch values tha opinions of others, and be has the ability to listen. He has the character and the personality to deal with other people well, which is something unusual for somebody with a financial background."

These qualities could be tested to the full as the hostile bid unfolds.

Richard Tomkins

FT GUIDE TO:

SELF-ASSESSMENT

Suddenly the UK is in the grip of self-assessment – the biggest reform to the tax system for half a century. How could the tax authorities spring such a nasty surprise?
They didn't. The UK's Inland Revenue has spent millions of pounds telling the 8.5m taxpayers affected that self-assessment really hites in 1997.

So what is all the fuss about?
Most taxpayers – and their accountants – probably underestimated how big a change it was going to be. Also, frankly, it is never in the interests of personal tax advisers to underestimate the difficulties of filing a tax return.

But surely the UK was already under self-assessment? The US has run a similar system for years and most experts agree it radically cuts costs and is far more efficient.
No. The British system has always been different. It has been described as a "Rolls-Royce" among tax regimes – expensive but in a class of its own.

So why scrap it?
Basically, the UK couldn't afford the petrol. The old system dealt with each taxpayer on an individual basis. If your affairs were anything other than straightforward you entered into a dialogue about the various sources of income and your tax hill on each. It was open to the taxman to challenge figures before bills were settled. Payments of tax on different types of income were made on different dates. Wrangles could drag on for years.

And that all costs money?
Yes. It was very expensive. And the government also started to squeeze the Inland Revenue – the big tax department – to try to cut staff and improve efficiency. As a result, for example, it ontsourced its information technology systems.

So what's new about self-assessment?
Self-assessment is actually a misnomer. The original idea, now quietly being downplayed by the Revenue, was that taxpayers would work out their own tax liability. They can still do that, but there is no pressure. What is really different is the tax return. It will be processed and checked routinely and the tax liability calculated *on the figures provided by the taxpayer*. No arguments.

Sounds great. I don't need a calculator and I can fib a bit and go home happy?
Right about the calculator. Wrong about relaxing et home. After the bills have been paid they are open to audit. If something is wrong, there are interest payments and penalties. The system puts the entire oous oo to the taxpayer who is expected to be *right first time*.

So that's the big difference.
That and the fact that the new system will bring tax payments on to a curreot-year basis, whereas now they are made on a previous-year basis. Some taxpayers, such as partners, will no longer be in tha happy position of paying last year'e tax bill with this year's earnings.

How does it work then?
Taxpayers will make two payments on account for a tax year. These will be estimated on the basis of last year's earnings but cen be adjusted by taxpayers. When the tax bill is worked out a balancing paymant becomes due. If taxpayers work out their liability as well they can post the cheque with the form.

And when does all this start?
It already has. But for most it won't really bite until tax forms go out in early April. This is not great timing as the UK is likely to be only weeks away from a general election. Officials long ago told ministers this might not endear them to taxpayers but nobody listened. Now it is almost certainly too late to stop.

And if Labour wins?
No change. They can see the potential savings too. They can always trot out the line about "empowering the taxpayer".

In the US taxpayers use "tax shops" to file their returns – paying low fees for an over-the-counter service. Guess the UK is np to speed on that?
Not quite. Almost everyone in the US has to file a tax return, making tax shops viable. In tha UK, millions of taxpayers are part of the PAYE (pay as you earn) system administered by employers. But a market is developing. About half those affected already have accountants to help them. The rest will be hunted down by strings of new tax ehops. The US chain of tax shops H&R Block is rumoured to be considering a move to the UK.

Sounds like the UK is still catching up. Don't suppose you can file by computer in that case?
Yes you can. The taxman has high hopes for the so-called Electronic Lodgement Service. It will begin this year, but estimates of the numbers who may use it vary wildly. But it is the shape of things to come. Cutting out paper would bring huge savings. Accountants could get real economies of scale by processing thousands of forms.

So that is the great goal for self-assessment, is it?
No, there's more. The Revenue will pause for a year or two and then move on to full self-assessment for companies. At the moment companies are taxed under a system which is a halfway house to self-assessment. But the move holds real dangers. Individuals could face a surcharge of up to 5 per cent for getting an assessment wrong. Imagine botching your company's transfer pricing liability. One mistake could cost you millions.

Jim Kelly

Robert Chote · Economics Notebook

Capital flows taken into account

Emerging countries' ever-increasing deficits need not be a problem

The world's emerging market economies are moving deeper into the red – their current account deficits are likely to be almost half as big egain this year as they were in 1996. This growing reliance on foreign savings is not necessarily a problem, but it may be sending an ominous signal about the health of some of these economies.

Current account deficits are expected to total almost $150bn (£92.5bn) in the 30 leading emerging economies this year, saye last week's report from the Institute for International Finance, the Washington-hased lohhy group for financial institutions. This deficit will have widened from $107bn last year, less than $80bn in 1995 and a position of near balance as recently as 1987.

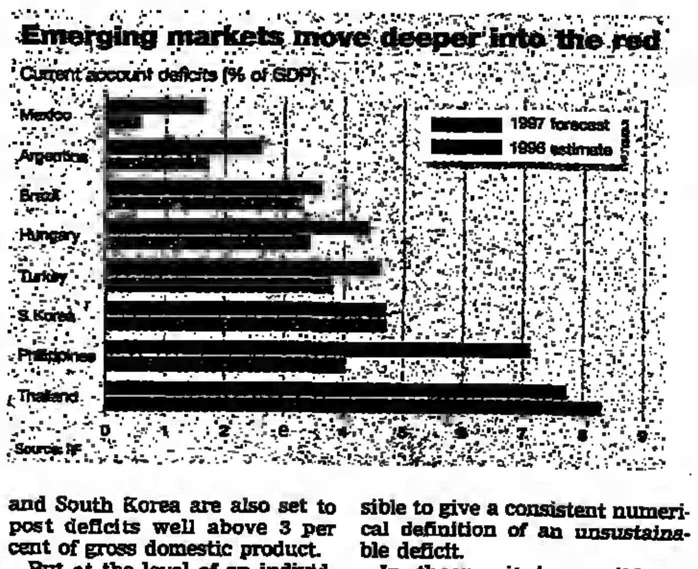
This year's addition to the pool of red ink is in large part the result of an improved outlook for economic growth, whicb is expected to suck in imports of investment and consumer goods. Thanks in particular to accelerating activity in Latin Americe and Europe, the institute is looking for a 5.7 per cent expansion in the emerging market economies in 1997. This is a percentage point more than the everage growth rate recorded over the past foor years.

"At an aggregate level, the use of external resources on this scale by emerging market economies broadly represents an efficient allocation of world capital towards high-return investments, rather than a alide toward overhorrowing of the type that preceded the debt crisis of the 1980s," the institute argues in its latest report on international capital flows.

Indeed, $150bn still represents less than 3 per cent of the comhined gross domestic products of these 30 countries, a proportion thet does not look excessive. Capital flows into these countries should also exceed $240bn for the first time this year. Thus, in addition to financing current account deficits and investment ontflowa by emerging market residents – which totalled almost $30bn from Russia aloue last year – this should pay for a further increase in their stock of foreign exchange reserves.

Last year, the emerging markets used only 45 per cent of their capital inflows to finance current account deficits. About 30 per cent was devoted to the eccumulation of reserves, taking their total value to $500bn. This increase was bigger than past experience would have suggested, given the size of the accompanying trade flows. With imports of goods rising by $99bn to $1,030bn last year, the emerging markets would have needed to edd only $33bn to reserves to maintain a comfortable 1:3 ratio of reserves to imports.

In aggregate, the current account picture may look satisfactory, but the total disguises significant differences between individual countries. The graphic shows, for example, that Thailand and the Philippines are set to run current account deficits well in excess of twice the emarging market average this year. Brazil, Hungary, Turkey and South Korea are also set to post deficits well above 3 per cent of gross domestic product.



But at the level of an individual country, can we be certain when e curreot eccount deficit is excessive? A recent study* by Gian Maria Milesi-Ferretti, at the International Monetary Fund, and Assaf Razin, at Tel Aviv University, suggests that this remains e difficult judgment.

Their etudy examined eight episodes in which countries ran big deficits for some time. In Australia (1981-94) and Malaysia (1991-95) these deficits prompted no dramatic policy changes or crises: in Ireland (1979-90), Israel (1982-86), Malaysia (1984-85) and South Korea (1978-88) policy changes took place which forestalled crises; hut in Chile (1977-82) and Mexico (1977-82 and 1991-95) external criaes did result. They conclude it is impossible to give a consistent numerical definition of an *unsustainable* deficit.

In theory, it is possible to judge whether a country'e current account position is sustainable simply by asking whether it will be able to generate eufficient trade surpiuses in the future to repay existing deht. But the study says this epproach is flawed because it sidestepe two issues: a *country's political* willingness to repay its external obligations and the willingness of foreign investors to continue lending on current terms.

The study offers no easy answers. It concludes, for example, that you cannot tell whether a country will have difficulty servicing its deht simply hy looking at the intensity of the external shocks it feces, say, from a rise in real interest rates or a change in oil prices. And you cannot predict a looming crisis just by looking at the size of a country'e external debt burden, the relative importance of short versus long-term borrowing or the size of the interest payments it has to make.

Some factors provide more help in predicting crisas, bnt these are fallible. It is clearly ominous when hig current account deficits are accompanied by heavy government borrowing, but both Chile and Mexico have suffered crises when their public finances were in relatively good repair. Weak banking systems and overvalued exchange rates are also dangerous, but the problem here is to quantify when exactly they hecome a threat. Political instability might be thought universally problematic, but in Ireland in tha mid-1980s it may well have been the catalyst for an overdue policy reversal.

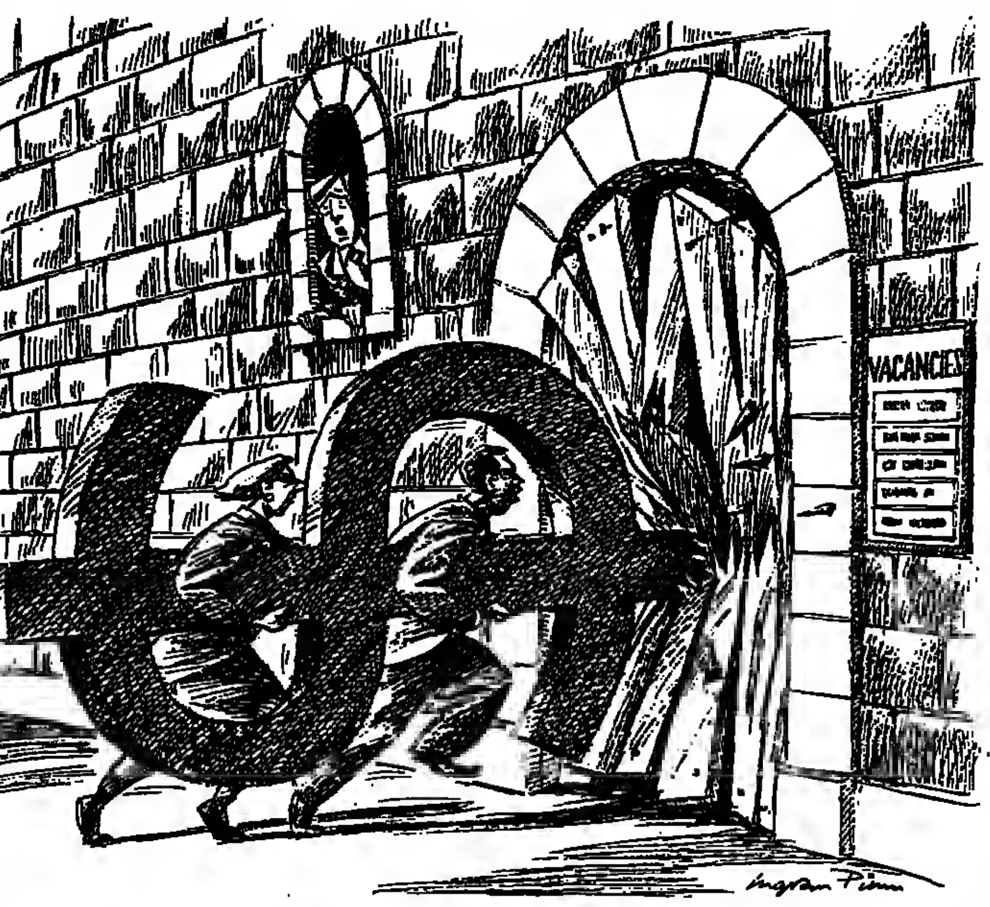
Unfortunately, this suggests there is no easy way to tell when a country is on the danger list. But it is clear that several different factors have to be taken into account and e subjective judgment formed overall.

A quick glance around the emerging economies ehows several countries in which current account deficits appear to be posing problems. Brazil, Chile, Colombia, the Philippines and South Korea all fall into this category. But it is no easy task determining if, when and where the drama will become a crisis.

**Current-account sustainability. Princeton Studies in International Finance No 81, Oct 1996.*

Barriers begin to crack

US companies face pressure to improve their mix of race and gender, says Tracy Corrigan



Five years ago Harvard Pilgrim Health Care, the US healthcare provider, noticed unexpected costs. Some black patients seeking help for mental health problems were asking to see black counsellors.

The company had none on its staff and, at additional cost, had to look outside. The same thing happened when women patients asked to see female doctors.

The company found itself with an incentive to start a "corporate diversity" programme in 1993, aimed at ensuring the race and gender mix of staff reflected more closely the New England customer base and the broader US workforce.

The percentage of black physicians hired by the company jumped from 6 per cent in 1994 to 25 per cent in 1995. The percentage of women in senior management rose from 4 per cent in 1992 to 13 per cent in 1995.

As the proportion of minorities in the US population increases, more companies are beginning to find that, like Harvard Pilgrim Health Care, there are sound economic reasons for increasing the proportion of minorities and women in their workforce.

Nynex, the telecommunications group, is one such company and has a well-established diversity programme. Says Robyn Phillips, director of corporate culture: "We are in a competitive industry and we had better make sure that employees are diverse and reflect the customers we serve."

Pressure is also coming from groups which are able to harness growing black consumer power, such as the Rainbow/Push Coalition, led by the Reverend Jesse Jackson. Doris Davenport, the director of the commercial division of the coalition, puts the position bluntly: "In the words of Rev Jackson, we can either be reciprocal trading partners or reciprocal boycott partners."

Indeed, the threat of boycott by minorities, negative publicity, and the associated downward pressure on share price, certainly appears to have got two companies to move on the issue of diversity.

Texaco settled a $170m (£105m) lawsuit at the end of last year, after senior executives were caught on tape discussing the destruction of evidence relating to racial discrimination, and agreed to institute a range of programmes designed to change the corporate culture.

Mitsubishi Motors, following allegations of sexual harassment and racial discrimination at its plant in Normal, Illinois, agreed last month to invest $200m in programmes for minorities and women.

The spate of high-profile legal cases continues: most recently a suit by two Morgan Stanley employees alleges they were denied promotion after complaining about racist jokes transmitted by e-mail.

Such cases have brought the issue of diversity out of the human resources department and into the boardroom.

As the US Equal Employment Opportunity Commission points out: "Employers already should know their legal responsibilities, but when they see such a large settlement amount [as Texaco's], that serves as a deterrent – especially when it receives national attention."

One problem is that not all diversity programmes have been as effective as Harvard Pilgrim Health's. Most have done little more than pay lip service to the notion of advancing more women and people from minorities and are often seen as a bit of a joke.

The programmes are usually set up by human resources departments which may be removed from the real power base of the organisation. Training typically targets new recruits, who are herded in groups of 15 to 25 through one or two-day sessions of "consciousness-raising" or "sensitivity training" designed to challenge entrenched attitudes, or at least modify behaviour.

Says James Lowry, a management consultant specialising in the issue: "I think the sad truth is that there haven't been very many successful programmes. Let's be candid: companies haven't put money into this." The impact has been correspondingly slight, he believes.

One way of encouraging success is to motivate senior management. Companies like Harvard Pilgrim, Nynex and Xerox have made the recruitment and promotion of women and minorities a criterion in judging management performance – and deciding pay.

Lawrence Otis Graham, diversity expert and author of a recently published book, believes that what will change attitudes "is forcing CEOs to recognise that there are bottom-line benefits" to promoting minorities and women.

"I think that companies should require senior level executives as well as the board to be trained and coached on issues that deal with bias," he says.

Lowry recognised that corporate culture cannot be changed overnight – he believes it takes about five years to effect real change, and the effort may need to be ongoing.

Barbara Stern, vice-president, diversity, at Harvard Pilgrim agrees. "I can't say we will ever reach success. But in healthcare it's easier than in aerospace because we are a service business.

"We were founded to serve all segments of the community so there was a natural linkage" between the company's culture and its diversity aims, she believes.

Chadwicks

Yves de Poorter and the Marquis of Belforte: meeting demands

PARTNERS

Pex

Andrea Cattaneo Della Volta, the Marquis of Belforte, 39, bought Pex, a Leicester-based company which manufactures children's socks, in 1993. With the help of his partner, Yves de Poorter, 35, the company has turned losses of £2.5m into £450,000 profits. Their turnover last year was £10m.

Andrea: "If Belgians are renowned for their beer and sausages, and Italians for their cars and spaghetti, I don't think either of us is typical But in our attitude to work we are very stereotypical.

Traditionally, Belgians are more organised and less inventive, whereas Italians are inventive but lapse with internal organisation. As a partnership we're hugely complementary.

I leave Yves to look after the margins, while I concentrate on the industrial aspects. We've spent the last 14 months upgrading the machinery so it can cope with the changing demands of the market.

Socks have to be complicated these days, in vivid colours with topical motifs. We've linked up with movie themes, but not in a strict way. Socks sell well with any old pig on, it doesn't necessarily have to be Babe.

I'm a great believer in developing a team mentality which is partly the reason for our success. A lot of company bosses say: 'I think I'll do this, I wonder what the chief executive thinks.'

I like the 'we' culture, which Yves has now adopted. At first he was quite egotistical and autocratic, which was very annoying. I don't even like it in speech because it gives people the wrong impression.

He would say: 'I've made a profit', which would make a third party think he owned the company. I learnt to use 'we' instead of 'I' after a female colleague accused me of having a pathetic, Napoleonic attitude.

Thankfully it happened at the age of 29 and from then on I changed my approach. It's important that everyone, not just the partners, feels like a player."

Yves: "I often call him Marquis, especially if I'm introducing him. He likes to diminish it, but I don't see the problem with using a title. His ancestors were Antwerp bankers who were painted several times by Van Dyke. I find it quite amusing because you wouldn't be able to tell from his face that he was from aristocratic stock.

Andrea is very unlike other Italians I've met. In business they're usually very relaxed about spending, whereas he's aware of every single penny, rather like us Belgians.

He'll never spend a pound too much and will travel on the cheapest tickets available. We both share the view that if it's free, it's welcome. He likes to know the smallest details about every aspect of the business, from the finances to what's happening in the factory. When he bought the company, he went on a knitting course to learn about the machinery. The key to investing in equipment is not about how much money goes into it, but how much comes out.

We commute from London to Leicester every morning at 5.45am, which gives us time to discuss our plans and productivity. I'm surprised he doesn't have more accidents because he gives the impression that he's the only driver on the road. I'm forever pointing things out, like red lights and other cars. His response is: 'If you don't like it, drive yourself.' It's a living danger, but I distract myself by working on the laptop."

Fiona Lafferty

Viewpoint · Donald Sull

Blinded by science

Gurus' writing springs from an ancient tradition

For years management writers have endured the contempt of academics in the social sciences. The label "scientist", say scholarly critics, will not be earned until the management gurus systematise their ad hoc observations into a unified theory and submit it to rigorous empirical tests.

When judged as a social science, even a fledgling one, management theory fails miserably. Much of the theory is contradictory, even faddish, in contrast to more respectable academic fields which build cumulatively on a single body of coherent theory.

But management thinking should not aspire to being a science, not even when it grows up, for the interests of managers and social scientists are worlds apart.

Social scientists favour theories using as few variables as possible. These parsimonious theories translate into models that explain only a sliver of the phenomenon, while lumping unexplained bits together as exceptions. Managers, meanwhile, live in a messy world where many factors influence their success, and they cannot afford to ignore relevant variables.

Scientists also value methodological rigour, and place a very high burden of proof on evidence, routinely rejecting hypotheses in which they have 90 per cent statistical confidence. Managers cannot afford the luxury of statistical certainty and must often act despite few observations, spotty data and imperfect analysis.

While it is not a science, management thinking does fit squarely into an ancient tradition offering pragmatic wisdom to help politicians, soldiers and traders act more effectively in affairs of the world. Writers such as Epictetus, Marcus Aurelius, Machiavelli and Benjamin Franklin have offered practical tips for dealing effectively in public affairs. Their writing eschews systematic philosophy in favour of memorable aphorisms, rousing exhortations and vivid examples of effective men and women.

Wisdom is much harder to define or measure than propositions based on scientific theory. We have no statistical tests to measure a statement's wisdom. Advice that promotes effective action could be deemed wise, but this measure is too abstract to prove useful. Three more tests can help us sift nuggets of pragmatic wisdom from drivel.

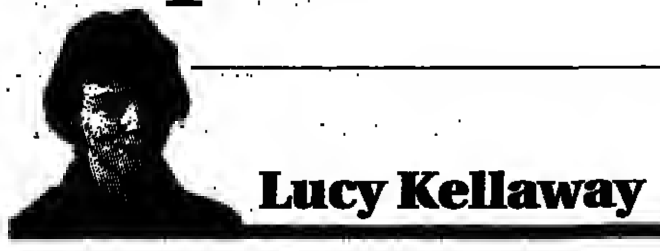
First, to qualify as pragmatic wisdom, business writing should help managers inspire change among colleagues and subordinates. Inertia, or the tendency of organisations to persist in business as usual even in the face of environmental change, poses one of the greatest threats to organisational improvement. The gurus, at best, can help galvanise managers to overcome inertia.

Second, good management writing should pick out the critical challenges. Gurus can focus management attention on important elements of success that they might otherwise ignore.

Third, to qualify as pragmatic wisdom, business writing should stimulate managers to think. Business writing, for all its contradictions and messiness, displays more respect for managers than the scientific approach. The gurus acknowledge the complexity of the real world, and offer a rich diversity of ideas and metaphors to help overcome organisational inertia, surface considerations, and jar managers' thinking. Urging gurus to become scientists will only result in bad science with no increase in wisdom. Instead we need to build on traditions in all the humanities, such as history, literature, and rhetoric to inform action in the real world. Managers need first rate Plutarchs, not second-rate Adam Smiths.

The author is assistant professor of strategy and international management at London Business School

Good break-up value for corporate voyeurs



Lucy Kellaway

Lorna Wendt is the perfect corporate wife. Her husband Gary is the chief executive of GE Capital. He earns a lot of money and jets round the world doing deals. She is the hostess with the mostest, who thinks nothing of inviting 100 business colleagues round to their place for a banquet, or of leaping up after giving birth to cook dinner for 12 of her husband's business associates. For the past 31 years she has encouraged him, advised him, and been a role model for other GE wives, offering tips on what to wear and what to cook.

Now this rich, successful couple are getting divorced and the spectacle is causing corporate America some discomfort (as well as a good deal of voyeuristic pleasure). The trouble is that she thinks the $10m settlement she has been offered is not enough.

She says they were equal partners in his career and that therefore she deserves half of everything. And everything, if you are that high up in General Electric, amounts to $100m on her reckoning.

The case has opened a can of worms. Is it a real job to be a corporate wife? And if so, what is its value? Mrs Wendt, who has apparently listened to a lot of business jargon over the years, said to the court last week: "Gary wanted to buy out my partnership and I didn't want to be bought out. It's like a hostile takeover – he offered me a very small percentage, and I said that's not the price of the buy-out."

She would be well advised to stop talking this way because, viewed in business terms, the advantage lies with her husband. GE recruited and promoted *him* for his considerable deal-making skills, not *her* for her culinary ones; to the extent to which they are partners, she is undoubtedly the junior one.

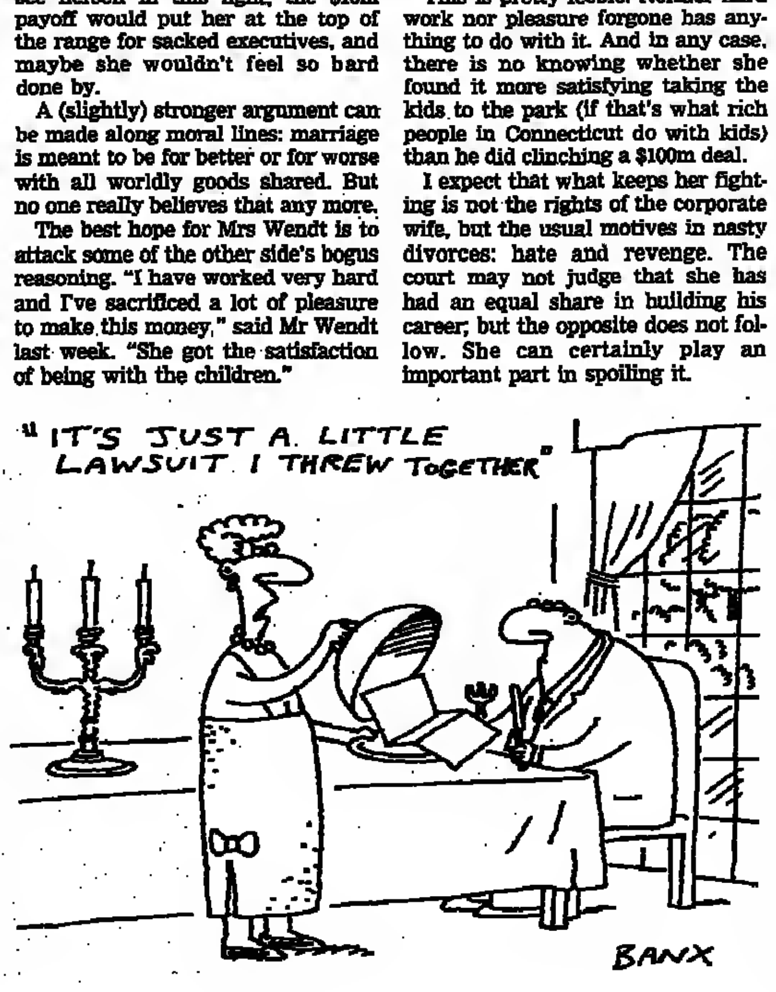
A better business analogy is that of the fired executive. If she could see herself in this light, the $10m payoff would put her at the top of the range for sacked executives, and maybe she wouldn't feel so hard done by.

A (slightly) stronger argument can be made along moral lines: marriage is meant to be for better or for worse with all worldly goods shared. But no one really believes that any more.

The best hope for Mrs Wendt is to attack some of the other side's bogus reasoning. "I have worked very hard and I've sacrificed a lot of pleasure to make this money," said Mr Wendt last week. "She got the satisfaction of being with the children."

This is pretty feeble. Neither hard work nor pleasure forgone has anything to do with it. And in any case, there is no knowing whether she found it more satisfying taking the kids to the park (if that's what rich people in Connecticut do with kids) than he did clinching a $100m deal.

I expect that what keeps her fighting is not the rights of the corporate wife, but the usual motives in nasty divorces: hate and revenge. The court may not judge that she has had an equal share in building his career; but the opposite does not follow. She can certainly play an important part in spoiling it.



General Electric must be cringing with every successive revelation, just as the general public is lapping it up. My favourite snippet so far is the size of her clothes budget – $120,000 a year. Corporate America may be dressing down these days, but the wives still seem to be wearing tiaras.

We know that the public sector has gone mad over consultants in the last few years, and that consultancy firms have hardly been able to believe their luck. But the news last week that Whitehall has spent £2.6bn – repeat, *billion* – since 1992, is hard to credit. Even harder is the notion that only one of the departments bothered to calculate whether the money had been well spent, and its sums do not look encouraging.

The Labour party has jumped on these figures and is promising a general crackdown on the use of consultants. It might win more votes by promising to ban Whitehall from using them altogether: with one fell swoop it would have taken money from an unpopular sector and given it to the rest of us. The £700m for last year alone is nearly half a penny on income tax.

It would have been nice if Michael Grade could have said openly last week that one of the reasons he was quitting Channel 4 was the opportunity to make serious money at First Leisure.

On the one hand we are told that chief execs need to be paid so much because it is a free market, and they will move to places where the pay is better. But on the other hand, when it comes to individuals explaining why they have made a somewhat unexpected career move, pay suddenly has nothing to do with it.

BUSINESS EDUCATION

Mark Ashurst investigates a high-level course for those marginalised by apartheid

Securing a bridgehead

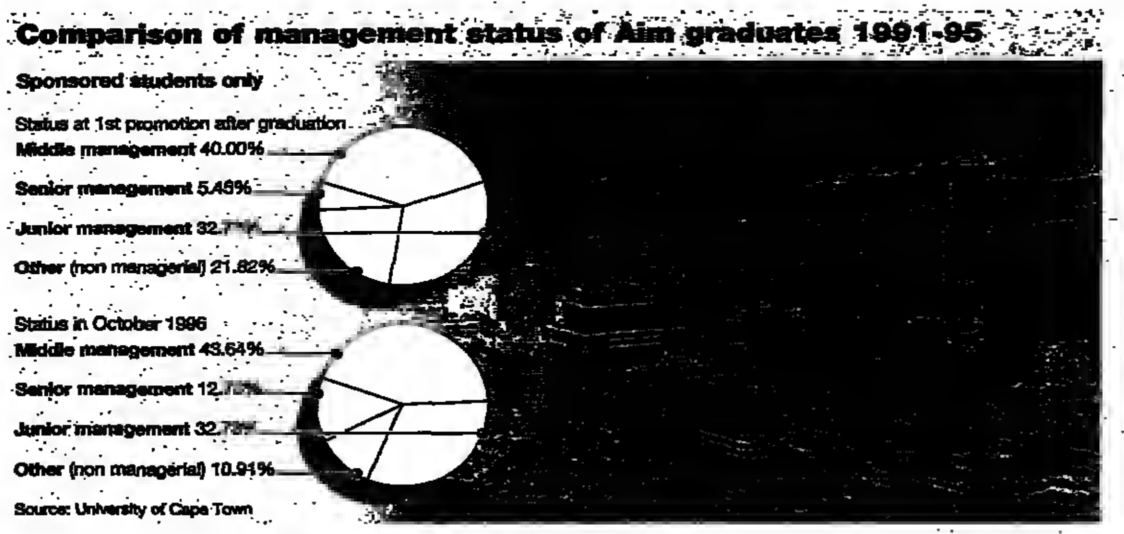
Most entrants to business schools share at least one characteristic – ambition. At the *University of Cape Town, however*, ambition is a trait that students of the Associate in Management programme are expected to pick up as they go along.

The only full-time management course for people with limited formal education, Aim sets out to address two of the biggest challenges facing corporate South Africa: the general shortage of skilled management and the economic empowerment of people marginalised by apartheid. There can be few greater challenges facing business schools anywhere.

"The whole mindset of the country is in the balance," says Nicola Coombe, Aim director at the Graduate School of Business. She denies that Aim is "an affirmative action course", describing it instead as "a bridge for people who in a normal eociety would have progressed beyond their current position".

According to David Plane, managing director of Gray Security in Southern Africa, which has four employees on this year'e course, its chief merit is in boosting the ambitions of his most able security guards. "I could recruit white graduates from outside the company, but I have used Aim because I want managers who understand it from inside," he explains.

Comparison of management status of Aim graduates 1991-95



Source: University of Cape Town

Modelled on the school's formal MBA programme but with more emphasis on group and project work, applicants for Aim need no academic record and are not required to take psychometric tests. About 60 per cent of its intake are black Africans, while 25 per cent are Asian or coloured (mixed race) and 5 per cent white.

Most students have completed minimum schooling, albeit interrupted in some cases by anti-apartheid schcol boycotts, while a few have experience of tertiary education. The majority join the course from a supervisory position within their sponsoring company, after a minimum of five years in work.

For many, Aim is a seminal experience. Patrick Mngadi, a former supervisor at Sappi, the pulp and paper producer, joined the course in 1995 after 16 years on the factory floor. Within weeks of returning to the group's Tugela Mill in Kwa-Zulu Natal he had been assigned to develop new working practices in collaboration with a chartered accountant. "I had never been exposed to the higher levels of my organisation," he recalls. "Now I am recognised as a trainee manager, they see me as a changed guy who can talk about ideas."

The 10-month residential course combines the usual business school curriculum – accounting, information systems and finance – with national themes. "Nobody in South Africa is sitting with the answers as to how to manage the situation that we're in," says Coombe. "Everyona is talking about transformation, but we are not used to thinking about the role of a company in a political economy."

It is a mark of the changing corporate culture that many of Aim'e most successful graduates have a trade union background. Welcome Ntshangase, a former leader of the Paper, Printing, Wood and Allied Workers Union, was given a scholarship by packaging group Nampak to take the course in 1994 and subsequently joined the company as "labour initiatives manager".

He does not doubt their motives for funding the R50,000 (£6,700) programme. "I wouldn't run away from the word co-option. For tha first time I realised how much more the union could have achieved if we had understood management principles."

Despite its progressive entry criteria, Aim's greatest flaw is its elitism. With an annual intake of just 40, and a hefty price tag, Aim caters for only a fraction of those who could benefit from it. With this in mind, JCI, the mining house which was one of 10 local companies to sponsor the launch of Aim in 1991, this year diverted its support to cheaper, workplace courses available to more employees.

"Its all a bit utopian. Aim is a fine start but it's really a drop in the ocean," confesses one lecturer. "And that is absolutely cause for despair."

NEWS FROM CAMPUS

From Russia to study banking

Students at the Moscow International Business School who specialise in banking will now be able to spend a year studying in London as part of their five-year course.

Students on the Mirbis course frequently plan careers in banking after graduation.

The agreement between *Mirbis and Middlesex* University Business School, in north London, is for the students to spend the whole of their fourth year in London where they will earn a postgraduate diploma in Money, Banking and Finance.
Middlesex: UK, (0)181 362 5000

● Three students from the China Europe International Business School, in Shanghai, have become the first beneficiaries of an exchange programme between CEIBS and Iese, in Barcelona.

The Chinese students are to spend one term at Iese, studying alongside students in the second year of Iese's full-time MBA programme.
Iese: Spain, 3 204 4000

MBA students will be spoilt for choice

Students who cannot decide whether to study full-time, part-time or through distance learning might well consider the Brunel Graduate Business School MBA which starts this autumn. It has been designed to enable students to switch between the different modes, depending on their circumstances.
Brunel: (0)1895 203064

Famous five join the board of directors

Organisers of the GMAT entry test, the Graduate Management Admission Council (GMAC), have appointed five business school deans to join their board of directors. The new positions have been created to increase communications between GMAC and graduate business schools.

The five are George Bain (London Business School), Paul Danos (Dartmouth), Sara Freedman (Houston), William Pierskalla (UCLA) and Charles Plosser (Rochester).
GMAC: US, 703 749 0131

BUSINESS EDUCATION

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FEBRUARY 17
The 13th Annual FT London Motor Conference
This major automotive event will once again bring together an experienced panel of industry speakers, to share their views on the changing relationship betwwen manufacturers and their suppliers. Key speakers include: Professor Garel Rhys OBE, SMMT Professor of Motor Industry Economics; University of Wales, Dr Walter Hasselkus, Chief Executive, Rover Group Limited, Frans Boot, General Manager of group Purchasing, Volkswagen UK Limited, Nick Evans, Director, Intelligent Transport Systems Programme, SRI International, Peter King, Chief Executive, The Car Group PLC.
Enquiries: Sian Fancourt, FT Conferences. Tel: 0171-896 2638. Fax: 0171-896 2696/2697
LONDON

FEBRUARY 26
Managing the year 2000 Transition
Companies are only now coming to grips with the potentially *devastating* consequences of the Year 2000. Mismanaging this transition either from a computing or a business perspective could sound the death knell for a company. Rather than focus on the *technicalities of changing computer code* this workshop focuses on the managerial issues from both a business and IT perspective, essential to this transition process.
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Fax: 01482 642 691
http://www.butlergroup.co.uk
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FEBRUARY 27-28
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A practical development module of particular relevance to credit analysts, brokers' analysts, corporate finance executives, researchers and support staff and those in internal strategic planning roles. • Identifying the Objectives and Key Issues, Assembling the Information. • Targeting the Audience • Format, Style and Layout • Clarity, Punctuation, Jargon, Brevity, Impact. • Writing vs Editing. • Using Computer Graphics.
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LONDON

FEBRUARY 27-28
Intranets, Extranets, Legacy Systems and Client/Server: Convergence of Network Architectures
New developments in Network Computer architectures and Thin Clients and the need to retain the value of legacy systems, lead to convergence of Intranets and Client/Server architecture. Ovum, Logica, Oracle, Microsoft, Sun Microsystems, Borland, IBM, BT, Barclays, Apple and others discuss migration of current generation systems to next generation of network centric computing. UNICOM. t: 01895 256 484, f: 01895 813 095
email: alec@unicom.co.uk.
URL: http://www.unicom.co.uk
LONDON

MARCH 4-5
FT World Steel Conference
The 3rd annual conference, organised with CRU International, will address the major regional challenges and global opportunities currently facing the international steel sector. Key industry speakers now also include Dr Han-Soo Yu, CEO & President, POSCO Research Institute; Michael F Gambardella, Managing director, JP Morgan Securities; Richard K Riederer, President, CEO & COO, Weirton Steel Corporation, in addition to senior executives from British Steel, Thyssen Stahl, Koninklijke Hoogovens, Rautaruukki and VOEST-ALPINE.
Enquiries: Sarah Gibb, FT Conferences. Tel: 0171-896 2639. Fax: 0171-896 2696/2697.
LONDON

MARCH 4-6
Human Resources Development Week 1997 Conference (HRD Week 1997) The Training Challenge
Firmly established as the premier event for everyone involved in training and development - the Conference provides unrivalled opportunity to explore the very latest trends. World class speakers, illuminating case studies and examines of Industry best practice combine to provide lively debate, creative solutions and a unique opportunity to network.
Contact: IPD Tel: 0181 263 3434
Fax: 0181 263 3366
LONDON

MARCH 5
Zimbabwe: An Investment Opportunity
One-day CBI investment conference.
Keynote speaker: HE President Robert Mugabe. *Sponsored by* Barclays Zimbabwe, Blue Circle Industries and Standard Chartered Bank.
Details from Sandra Aldred,
tel: 0171 379 7400
LONDON

MARCH 5 & 6
Economic Assessment of Eastern Europe and the Former Soviet Republics
PlanEcon and DRI/McGraw Hill assess the East European and FSR Investment climate including banking, energy and automotive industry-analysis. Seminar features Mugur Isarescu (Romania), Grzegorz Kolodko (Poland), Sergei Generelov (YUKOS), and Ivan Oris (Ceska Refinerska).
Contact Baba Howd in London: 0181 545 6212
Internet:
http://www.planecon.com/conferences.html
LONDON

MARCH 5-6
Investing in Russia
Following last year's sell-out conference attended by over 600 delegates, Investing in Russia '97 will cover equity and debt markets as well as corporate and institutional direct investment. Eminent government speakers include the Russian Finance Minister, Mayor of St Petersburg, Governor of Nizhny Norgorod and Chairman of the State Property Commission. Also featuring workshops on the Ukraine and different industry sectors.
Contact: Anita Aston,
Dow Jones Telerate
Tel: 0171 832 9737 Fax: 0171 832 9940
Plaza Hotel, NEW YORK

MARCH 6
Internet Security
The openness, complexity and distributed nature of the Internet lays it open to a plethora of frauds and errors. This Butler Group Executive Workshop explores the issues and risks that relate to doing business on the Web, then details the IT and business strategies that are needed to securely manage the online marketplace.
Contact: Butler Group
Tel: 01482 642 700 Fax: 01482 642 691
http://www.butlergroup.co.uk
LONDON

Flexible Benefits - Making It Happen
For many years flex has been seen as an initiative that works for smaller companies, or for smaller groups of staff in larger companies. To apply it to thousands of staff was often seen as something that could not reasonably be contemplated.
In the last twelve months, all this has changed.
Gain inspiration from leading companies in implementing flex plans and hear about the key practical challenges of flex design and implementation from the experts.
For further information on this Briefing, or to register, please contact Helenka Sosna-Rose on
(+44) (0) 1727 888208
London
Hewitt Associates

MARCH 5, 6 & 7
Three Environmental Conferences
Over 200 delegates from industry and the public sector are expected to join, among others, the European environment Commissioner, the chairman of the European Parliament's environment committee and the Dutch Presidency of the EU to discuss current and future European policy issues in the *field of environmental health. The 3 days* deal with, respectively, waste management, air quality and noise pollution.
Contact: Tom Morgan, Club de Bruxelles, 52 av. Adolphe Lacomblé, B-1030 Brussels, Tel: +322 743 15 31
Fax: +322 743 50 50
e-mail: club.brul@arcadis.be
Internet: http://www.sfere.com/clubde bruxelles
BRUSSELS

MARCH 10
Torrey Canyon: 30 Years of Progress
A new international Lloyd's List conference to examine the issues raised in the 30 years since that first mega-pollution disaster - tanker technology, training, salvage, risk management, insurance, contingency & clean-up, regulations, quality, green ships and ports. The conference coincides with the important International Maritime Organisation Marine Environment Protection Committee meeting in London during the same week.
For further details contact Andrew Luxton, LLP Conference Division, on: +44 171 553 1363
Dorchester Hotel, LONDON

MARCH 10-14
Introduction to Corporate Credit Analysis - Level 1
For those entering banking, junior credit analysts, research and support staff, finance house staff and lenders to small and middle market companies as well as large corporates.
• Types of Borrower and their needs. • Techniques of Credit Analysis. • Profit and Loss Account and the Balance Sheet. • Spreading, Ratios, Key Indicators. • Cashflow, Forecasts, Sensitivity Analysis. • Business Plans, Debt Service Capacity, Covenants. • Analysis of Risks. 5 Days. £1025 + VAT. Contact: Fairplace. Tel: 0171-623-9111 Fax: 0171-623-9112. Worldwide Web: http://www.fairplace.com E-mail: fairplace@fairplace.com
LONDON

March 18-19
Meeting the Year 2000 Challenge
This conference has been specifically designed to provide comprehensive solutions to the business, technology and management process issues that your company will face when developing and implementing your Year 2000 business strategy.
Contact Mick Gaynor at Business Intelligence Tel: 0181 543 8565
Fax: 0181 544 9020
E.mail: mick.gaynor@business-intelligence.co.uk
London
Business | Intelligence

MARCH 18
Intelligent and Adaptive Methods in Finance
Use of leading edge technologies in the finance industry. Methodological discussion and case studies by Econostat, Société Générale Asset Management, Banque Nationale de Paris; Olsen & Associates; Barclays Bank; London Business School, Swiss Bank Corp, Namur University.
UNICOM. t: 01895 256 484, f: 01895 813 095 email: nina@unicom.co.uk
URL: http://www.unicom.co.uk
LONDON

MARCH 18-19
Natural Language Processing: Extracting Information for Business Needs
Information Extraction (IE) meets the challenge of what the Information Business needs and how to get it. Speakers from European Language resources Association; European Commission; DTI; IBM; Sheffield University; UMIST; BT; Digital; Swiss Bank Corp; National Power; Vocalis; Finsiel; Gesellschaft fuer Multilinguale Systeme.
UNICOM. t: 01895 256 484, f: 01895 813 095 email: alec@unicom.co.uk
URL: http://www.unicom.co.uk
LONDON

MARCH 21
Dow Jones Telerate invites you to FX'97
Attend the 6th annual event to debate important developments in FX Settlement, the progress towards EMU, opportunities in Margin Trading, Treasury and more. Calibrate your strategies as you meet with Treasurers, Dealers, Risks Managers and Analysts. Key contributors include EMI, Lehman Brothers, BBA, Tate & Lyle, Citibank, BZW and others.
Contact: Anita at Dow Jones Telerate
Tel: +44 (0) 171 832 9737
Fax: +44 (0) 171 832 9940 or
Email: jonathan.rosies@telerate.com
LONDON

MARCH 24 & 25
World Pharmaceuticals
This annual conference arranged in association with Coopers & Lybrand, addresses the challenges facing the pharmaceutical majors in maintaining their track record for healthcare innovation. High level speakers include Mr Sean Lance, Managing Director, Glaxo Wellcome plc; Dr Franz Humer, Chief Operating Officer, F. Hoffmann-La Roche; Dr George Poste, Chairman, Research & Development, SmithKline Beecham; Mr Derek Smith, Chief Executive, King's Healthcare, NHS Trust.
Enquiries: Sian Fancourt, FT Conferences. 0171-896 2638 Fax: 0171-896 2696/2697
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MARCH 26 & 27, WARSAW
4th Central and Eastern European Power Industry Forum (CEEPIF 97)
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Phone: *31-30-26-50 963
Fax: *31-30-26-59-928
WARSAW

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European Business Information Conference - EBIC '97
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MARCH 25
Serious Creativity & Lateral Thinking in the Information Age
Dr Edward De Bono, inventor of lateral thinking, presents his acclaimed one-day seminar. Additional seminar: SIX THINKING HATS 26 March.
For further information contact Gareth Jones at Monadnock International.
Tel: 0181 871 2546 Fax: 0181 871 3866
LONDON

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Actions, Options, Incentives
An international event for the government and private sectors of the ACS region and for those with hotel, tourism, infrastructure, banking and investment interests there. The distinguished panel of speakers includes the Prime Ministers of Bahamas, Barbados, Jamaica, St Kitts & Nevis, Mr Robert Crandall of AMR Corporation, Mr Douglas George of Hyatt Hotels Corporation, Dr Ann Robinson of NAPF and Sir John Templeton. Central, investment and commercial bankers will join fund managers and the multilateral institutions in extended financial sessions. Organised by the Caribbean Hotel Association and the Caribbean Tourism Organisation in association with Cityforum of the UK. Info in the Americas: Mr Bill Moore, Director, CHA Tel: (787) 725 9139 Fax: (787) 725 9108 Info: in Europe: Mr Marc Lee, Chairman, Cityforum Ltd Tel: (44) 01225 466744 Fax: (44) 01225 442903
Bahamas

April 7-8
Controlling the Customer Interface in a Deregulated Telecoms Market
Deregulation is less than twelve months away. It is imperative that you act now to implement a strategy responsive to the fundamental changes in the market. Niche markets will have to be tailored and packaged for. Build a brand and a reputation for excellence in customer support. This conference will show you how to anticipate and exceed demand, and how to brand and market your services to make the customer become your own.
An expert panel includes representatives from Deutsche Telecom, PTT Telecom, SMI Group, CMA and Scorex.
Contact: Duncan Garside at Centaur Conferences Tel: 0171 434 3711
Fax: 0171 287 8706
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April 8-9
The International Telecommunications Traffic Forum
Pre-empt competitor moves and develop your corporate strategy in response to the new competition in international traffic. Representatives from regulators and operators such as Oftel, BT, and US Global Link will explore the issues affecting UK and international telecommunications. This is an excellent opportunity to hear the latest expert opinions.
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April 10-11
***Developing customer driven strategies for Integrated* Network Service Provision**
With only a few months to prepare for de-regulation, if you can't offer the service, coverage or products that the end user needs they will go elsewhere. This conference examines the business problems and challenges of providing integrated network services by bringing together a selection of leading telecommunications organisations such as Global One, RWE, Ericsson, Telliance, BT, EGIS Paris and Nortel.
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April 14-17 1997
The 9th Annual National Managed Health Care Congress (featuring NMHIT)
An unparalleled networking forum of over 10,000 leading payors, providers and purchasers sharing innovative solutions in managed healthcare. Collaborate on Information Technology strategies. An exceptional educational forum with industry tracks, case studies, in-depth symposia, interactive roundtables, and live debates. Over 600 Exhibitors showcasing cutting edge products and services to enhance productivity and increase profitability.
For more information contact:
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Fax: 001-617-270-6107
email: amyp@nmhcc.com
NMHCC
Washington, DC (USA)

April 16-17
Strategies for Communicating Change
This is Europe's first international conference dedicated to addressing how effective Internal Communication Strategy impacts evolutionary and radical corporate change. World-leading experts and practitioners will guide you through this emerging discipline.
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Business | Intelligence

April 21-22
Centre for Global Energy Studies presents
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Now in its seventh year, this conference is firmly established as the premier event for the energy industry. This will be an unparalleled opportunity to hear from world experts best qualified to provide a forum for discussion on such topics as business development and the approach of different countries in this highly invigorating market. Chaired by Sheikh Ahmed Zaki Yamani, Chairman of CGES
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This major investment conference will be addressed by Ministers from across Asia, as well as a rich diversity of regional & overseas industry figures. Simultaneous programmes cater for specific interests in oil/gas and mining/metals; numerous workshops facilitate effective and focused networking.
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FT-City Course, organised by FT Conferences in association with City University Business School, provides an excellent introduction to the workings of the City of London as the financial and trading centre in Europe. Over 2 months - in eight weekly afternoon sessions - 24 *authoritative speakers share* their knowledge and experience, explaining how the city operates, who the major players are and how the main markets function.
Registrations/Enquiries:
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The first international forum on the impact of globalisation on the securities markets.
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http://www.globalisation.com
Contact: IFex, 27A Elizabeth Mews, London NW3 4UH
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Olympia, London

April 24 & 25
FT European Electricity
This two day event, organised by FT Conferences and supported by Energie-Versorgung Niederösterreich *Aktiengesellschaft*, takes place at the EVN Forum in Vienna. Leading industry players identify and discuss how the European power industry is preparing for change, what the opportunities and threats of liberalisation are and what prospects for a single European electricity market exist. Speakers include: Professor Stephen Littlechild, Director General, Office of Electricity Regulation; Dr Imre Szabo, General Manager, Hungarian Energy Office; Nick Ketting, President, Eurelectric, Chairman, Board of Managing Directors, NV Sep, Dutch Electricity Generating Board; Dr Rolf Bierhoff, member of the Board of Directors, RWE Energie AG; Peter Mellbye, Executive Vice President, Statoil.
For further information, please contact Nicholas Canty, FT Conferences.
Tel: +44 (0) 171 896 2632
Fax: +44 (0) 171 896 2696
Vienna

April 29 - May 2
The Global Billing Congress '97
***The world's most* authoritative billing system and customer care event.**
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Key speakers include senior representatives from BT, Vebacom, Netcom, ICL, Cable Online, Singapore Telecom and Cap Gemini.
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Fax: 0171 287 8706
London

May 20 & 21
A New Century in Publishing-Electronic Dreams and Realities
This FT Conference, in association with PIRA International, comes at a time *when the very nature of* publishing is being redefined. How will traditional publishers fare in the emerging new media age? What will be the impact of "new players" on the structure of the market, and what business models are needed to survive?
Enquiries: Nicholas Canty,
FT Conferences.
Tel: +44 (0) 171 896 2632
Fax: +44 (0) 171 896 2696/2697
London

May 22-23
Third UNEP International Round Table Meeting on Finance and the Environment
This gathering will be hosted by the United Nations Environment Programme (UNEP) in association with Columbia University and will address *Environment and Financial Performance.* The aim is to provide an international forum in which participants can explore how environmental factors affect corporate performance and ultimately shareholder value amongst others.
UNEP Environment and Trade
Geneva: Tel + 41 22 979 91 79
Fax: + 41 22 796 92 40
email: vorbiesd@unep.ch
Columbia University, New York USA

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Exhibition Centre Singapore

Date		Event	No. of Exhibitors
1-3 Apr	☐	Food Ingredients Asia '97	225
2-4 Apr	☐	Mets Asia '97	250
	☐	Energy Week Asia '97	200
3-6 Apr	☐	Cosmetics, Hair, Beauty & Fashion '97 Singapore	100
9-11 Apr	☐	Interop DotCom	80
	☐	NetWorld + Interop - the Networking Summit in Asia	300
9-12 Apr	☐	Security Asia '97	280
	☐	Fire Safety & Rescue Asia '97	86
10-13 Apr	☐	Boat Asia '97 Incorporating: Tackle Asia '97 Marina Asia '97 Commercial Craft Asia '97 Water Sports & Dive Expo Asia '97	250
22-25 Apr	☐	Asian International Gift Fair 97 (held in conjunction with Asian International Handicraft Fair '97 Asian International Stationery Fair '97) (AIF)	530
23-25 Apr	☐	Asia Card Technology '97 Incorporating: Asia Banking Technology '97	50
	☐	InterAirport Asia '97	150
	☐	ScanTech Asia '97	80
23-27 Apr	☐	Consumer Goods Asia '97 - A Showcase of Products from Asian SMES	230
	☐	Art Expo '97	150
24-29 Apr	☐	TRESORS '97 - International Fine Art & Antiques Fair For Asia (AIF)	155
26 Apr - 4 May	☐	Homemakers '97	120
28-29 Apr	☐	EDICOM '97 Conference and Exhibition on Electronic Data Interchange	20
6-8 May	☐	SEMICON Test, Assembly & Packaging	170
6-9 May	☐	IMDEX Asia '97 - *International Maritime Defence* Exhibition & Conference Asia 1997	350
12-14 May	☐	Oceanology International Pacific Rim	150
13-16 May	☐	Tax Free Asia Pacific '97	242
14-17 May	☐	SIBEX '97 - 15th South East International & Construction Exposition Incorporating: AIHEX '97: 3rd S E Asian International Building Services Exposition AIDEX '97: 3rd SE Asian International Hardware Exposition REHVAC '97: 2nd S E Asian International Refrigeration, Heating, Ventilation & Air-con Exposition A/E/C System '97	200
16-18 May	☐	Asian Diver Exhibition & Conference '97	250
22-25 May	☐	Zoorama 1997	52
		Aquarama '97	110
27-30 May	☐	Asia Pack '97/Asia Print '97 (AIF)	400
2-6 June	☐	The Annual Meeting of the International Society for the Study of Lumbar Spine	25
3-5 June	☐	Pharmaceutical Ingredients Asia '97	120
8-13 June	☐	19th International League Against Rheumatism (ILAR) Congress of Rheumatology	220
9-14 June	☐	Asia Telecom '97	400
11-13 June	☐	11th International Symposium on Contact Dermatitis	15
17-20 June	☐	Shop Design Asia	200
18-20 June	☐	Cannex '97 - The International CanMaking Technology Exhibition	180
20-29 June	☐	World Book Fair '97 Incorporating: 12th World Chinese Book Fair World English Book Fair World Electronic Book Fair	300
26-29 June	☐	The PC Show '97 Singapore Incorporating: The Software Show '97	350

Information is correct at the time of printing. Please contact the respective organisers for the latest details.

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☐ more information about the Exhibitions indicated ☐ Singapore Convention & Exhibition Calendar

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TRADEMARKS

Addison swallows modified goldfish

The great battle of the goldfish is over. The dispute between Addison, a design consultancy, and British Gas over the latter's goldfish logo on its credit cards, has been settled out of court.

Addison has got what it wanted, but the overall issue of trademark infringement remains far from resolved.

The design consultancy argued that its goldfish trademark (below), which it had used for seven years,

was being infringed under the 1994 Trade Mark Act by Goldbrand, the financial services joint venture between British Gas and HFC Bank.

The sattlement, for an undisclosed sum, disappointed thosa who had hoped tha case might establish a useful precedent on a difficult issue: who owns the rights to brand images that are similar in design but not wholly identical and which operate in different markets?

Goldbrand agreed to redesign its cards, which are used by 200,000 customers, to eliminate any potential conflict. Wolff Olins, the designers who created the look for Goldbrand, will bear the costs of the modifications.

Finally, and in an unusual move between adversaries, Addison will be retained as a consultant to Goldbrand.

Meanwhile, Channel 4, the broadcaster, is investigating the origin of its new logo of four linked circles after a Westminster University design graduate noticed it bore a similarity to his own work. Watch this space.

Patrick Harverson

The giant who lurks behind a smokescreen

Richard Tomkins on why RJR started an 'alternative' cigarette brand

Some weird-looking cigarettes have hit the streets in the US. With names like Politix, Planet and Icebox, they're hip, they're cool and they're made by a new cigarette manufacturer you've almost certainly never heard of: the Moonlight Tobacco Company.

But Moonlight Tobacco is not quite tha independent upstart it appears. In fact, the name is just a smokescreen for the rather better-known company behind the new brands. It turns out to be R.J. Reynolds Tobacco, the second biggest cigarette manufacturer in the US.

Moonlight Tobacco takes its cue from recent events in the US beer market, which has seen a surge in demand for "alternative" bears brewed by small beer companies, or *microbreweries*. Some big brewers bave responded by launching microbrewery-style sub-brands: Philip Morris's Miller Brewing snbsidiary, for example, bas set up a company called Plank Road Brewery, which sells the trendy Red Dog and Icehouse brands.

RJR, maker of old-established brands like Camel, Winston and Salam, says Moonlight Tobacco was inspired by a belief that an unexploited niche existed for "alternative" cigarettes.

It quietly started test-marketing seven Moonlight Tobacco brands in New York City, Chicago and Seattle just over a year ago. Since then, it has added two more brands, and the testing has been extended to Cleveland, Ohio; Portland, Oregon; and North Carolina.

The cigarettes themselves are nothing out of the ordinary: they are made in RJR's factories alongside the company's traditional cigarettes. But the packaging, designed by Chicago artist Thomas Van Housen, is quirky and distinctive, as are the names of the cigarettes – B's, Sedona, Politix, Jumbos, Northstar, City, Metro, Planet and Icebox.

The advertising, too, is off-beat. Posters and billboards do not promote individual brands: instead, they faatura tha Moonlight Tobacco name and slogan against a collage of the package designs. This gives Moonlight Tobacco the flexibility to introdnce brands and drop less successful ones, almost at a whim.

Moonlight Tobacco is not expected to produce another big-selling brand but tha point is that a cigarette brand does not have to command a large share of the US market to be profitable. With annual cigarette sales totalling \$47bn (£29bn), even a market share of 0.5 per cent is worth \$235m a year.

Britt Breemer, chairman of America's Rasearch Group, a market research company in Charleston, Sonth Carolina, says that once companies achieve a certain market share with their big brands, they can find it extremely difficult to make further gains. "So what they are attempting to do by creating these small companies is to pick up an extra few points of market share by having much more specific target marketing."

Renée Frengut, president of Market Insights, a marketing consultancy in Bronxville, New York, says RJR is aiming the Moonlight Tobacco cigarettes at a new genaration of consumers who are looking for alternatives to products from "big, nasty, American" companies. "They're trying to say: 'We are really not these big bad guys. We are really just small entrepreneurs, people like you, and yon should support us because we are hip like you guys are'."

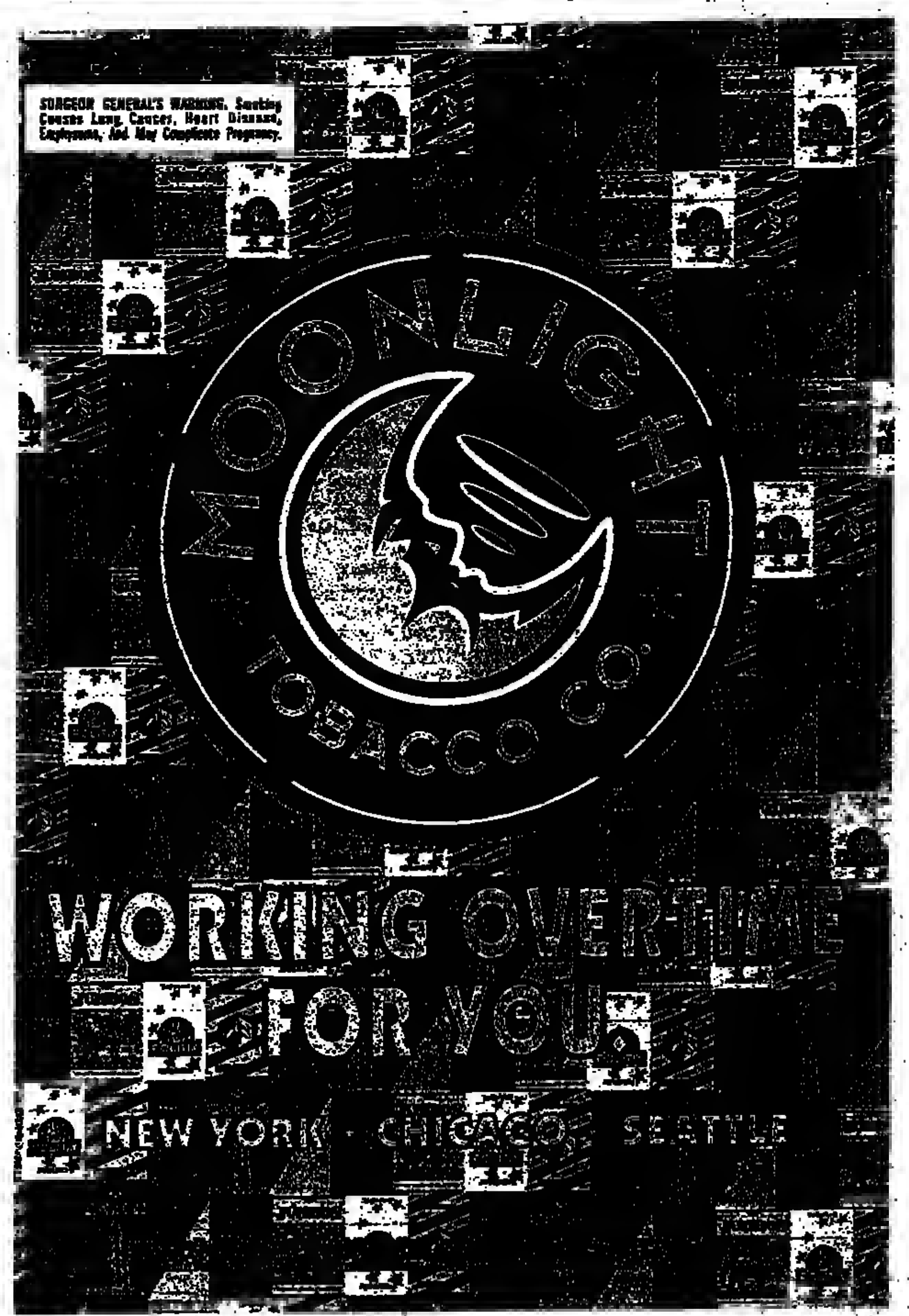
One problem with this approach is that it appears to target younger people at a time when the Clinton administration is trying to crack down on underage smoking. But RJR denies the cigarettes are aimed at younger smokers – or, indeed, at any age group at all. Says Cliff Pennell, RJR'e senior vice-president for brands: "It's for folks who have much more of an alternative, free-spirited lifestyle.

"They don't like the mass or the mainstream. They like to be different, they like to make a statement about themselves. They are the folks who are more comfortabla drinking a microbrew than a Budweiser. There'e a level of sophistication with this proposition that I don't think is younger adult at all."

Clearly, RJR is taking a risk by moonlighting as an iconoclastic underdog, for the ploy could backfire if it were seen as a form of deception. So although RJR's name does not appear in Moonlight Tobacco's advertising, the cigarette packs contain leaflets explaining Moonlight Tobacco's parentage and portraying the company as a whacky, "independent" outfit operating under the RJR umbrella.

Could RJR's example be worth following? Possibly, tbough RJR will not give any figures, and the project has yet to progress beyond the test-marketing stage.

It may also be worth remembering the cautionary tale of Quaker Oats, another big US company that tried to be trendy by buying the Snapple Beverage soft drinks manufacturer. The customers rebelled, sales plunged, and the acquisition turned into one of the most disastrous in US corporate history – proof positive, it seems, that just wanting to be hip is not enough.



The brands could attract those looking to steer clear of 'big, nasty, American' companies

Companies fail in annual reports

Alison Smith looks at an oft-missed prime marketing opportunity

Many companies are missing ont on a prime markating opportunity: the annual report. Instead of using the document to present themselves to new audiences, companies often direct the annnal report towards a narrow group that has probably seen the crucial information already.

This finding comes in a survey to be published toinorrow in the UK. While three-quarters of businesses questioned said the annual report was an important way of communicating what they do, six in 10 produced it with just a City of London andience in mind.

Fewer than three in 10 saw it as a marketing opportunity, and less than one in 10 saw it as a way of informing employees about the organisation.

The research is likely to fuel the debate about reforming companies' financial reporting in order to give businesses greater freedom to publish different reports aimed at various groups, such as customers and staff.

Michael Hamilton, managing partner of design consultancy Tha Hamiltons, for whom the research was carried out last month, believes the limited use of the annual report is a lost opportunity.

Companies listed on the alternative investment market, be says, are particularly missing out. "Some of thesa companies are even saying that they would not produce a report if it were not a legal requirement."

More broadly, he says the survey revealed a sharp difference between the forms of business promotion most valued by AIM companies and larger, more mature businesses.

"It appears that AIM companies are under the greatest pressure to increase sales, and so attach more importance to promotions and incentives; whereas other companies are looking for image development and market positioning."

The 100-plus companies in the survey were asked about ways of promoting their businesses. Three in 10 said direct marketing gave the best value for money. Spending on advertising was top-rated by under 16 per cent – coming just behind spending on corporate identity (16.1 per cent). Sponsorship scored the lowest rating, being chosen by under 3 per cent.

Corporate Identity and Corporate Success. The Hamiltons, 0181-402 1110. £5.

MARKETING / ADVERTISING / MEDIA

The Mirror goes in for a polishing

David Montgomery tells **Raymond Snoddy** about the tabloid's efforts to win readers

Ashley Ashwood

David Montgomery: The 'new' Mirror will add substance to its format of entertainment, glamour and soap opera news

David Montgomery, the tough Ulsterman who is chief executive of the UK's Mirror Group, bas recently been seen burrowing among the tahloid's archives. He aims to explode what he sees as a myth – that today's Mirror is a pale reflection of what it was under the legendary newspaperman Hugh Cudlipp.

Montgomery, always irritated by the "golden age" comparison, has been particularly needled by it in recent weeks. As a £16m ($26m) redesign and modernisation plan of the paper has been put in place, sniping hy his peers, be feels, bas increased. "The club of failed editors, which is growing by the year, has decided there was a golden era for the Daily Mirror under Hugh Cudlipp and it could do no wrong. That is nonsense," says Montgomery, whose first job was on the Daily Mirror 25 years ago, just as that era was ending.

When he dug out old copies recently from the archives, he says he found them thin and trivial. The paper was anarchic in those days, and there was "a culture of booze", he says. Its circulation, with no rivals, may have been 5m – twice today's – but it made no money, says Montgomery.

Moreover, the management made the biggest mistake of the century in the newspaper industry, he says, by "giving" The Sun to News International. The Sun had been a Mirror-owned broadsheet – it was subsequently sold to Rupert Murdoch who transformed it into its current tabloid format.

The redesign of what is now called The Mirror has come at a difficult time. In the last six months of 1996, the Daily Mirror's circulation fell 4.96 per cent to 2.533m compared with the same period in 1995 and at the same time that The Sun, with a lower cover price, lost 1.17 per cent of its circulation to 4.02m.

Apart from changing the appearance of The Mirror, and making the front page like a billboard for the stories inside, at least eight extra pages bave been added. The editorial budget has been boosted and a number of journalists taken on.

Most of the £16m will come from the £25m which will be saved this year as newsprint prices fall.

The "new" Mirror will remain a popular newspaper with glamour, entertainment and television soap opera news but will also deal with more weighty matters, particularly consumer issues.

"There is a very important brief to the editor [Piers Morgan], which is that there must be substance on the froot page. Somewhere there must be substance – it is a standing instruction," says Montgomery. "The Mirror has always continued to occupy a notch above The Sun and the criticism of its coming down to The Sun's level is simply not justified."

So far the fall in sales has been arrested and Mootgomery claims a modest improvement in the circulation trend against The Sun.

"I don't think people understand that newspapers have a very long life ahead of them but only if they are evolved and improve constantly. You can never let a paper sit there and let the competition take over."

For Montgomery, cutting out duplication bas been vital. He has reached an agreement with PA News, the national news agency, to provide The Mirror with complete print-ready regional news and sports pages, leaving Mirror journalists free to concentrate on the larger stories.

Another element is Montgomery's "collegiate" approach to producing newspapers at lower cost: combine the back office functions, he argues, and compete on editorial, advertising sales and promotion. His responsibilities also include tbe Sunday Mirror, The People, the Scottish Daily Record and the Sporting Life as well as L!Ve TV, the cable television cbannel.

> 'Newspapers have a very long life ahead of them but only if they are evolved and improve constantly'

The collegiate approach has led to savings at The Independent and the Independent on Sunday, which is owned jointly by the Mirror Group and Tooy O'Reilly's Independent Newspapers of Ireland. The group's operational losses should be cut to £6m this year.

The Mirror is the only core national newspaper group to be transpareot in the way it cooducts its business, says Montgomery, and so cannot buy circulation with cover-price cuts. All the others are part of larger groups. "Only tbe Mirror is completely transparent to be judged on its merits before the Stock Exchange and therefore we cannot be reckless in our conduct of tbis business," says Montgomery.

"The others have only one tactic – they are prepared to huy market sbare extravagantly. It is mucb more challenging to run the Mirror because it is not prepared to fight a Fleet Street battle which is imprudent in terms of financial management."

The Independent and Indepeodent on Sunday, which David Montgomery sees as long-term Mirror investments, are having to stand on their own two feet. Less money more efficiently used can produce better papers, be believes. "It is undeniable that Tbe Independent and Independent on Sunday, as edited at the moment, are much superior newspapers than they were when they were spending a third more on resources," he says.

Apart from trying to improve efficiency and profits, the qoestion of the Mirror group's future (market capitalisation £880m), in a world increasingly dominated by international multimedia groups, remains.

A suggestion by a third party last year that Pearson, owner of the Financial Times, should take over the group, with Montgomery as chief executive of the combined business, was not taken up by Pearson. A merger between Carlton Communications and tbe Mirror Group also got nowhere. Michael Green, Carlton chairman, made it clear be would not pay a premium for the group and there would be no place for Montgomery in a takeover.

Montgomery still believes The Mirror could be more valuable inside a larger media group. "But they have to be the right partner," be says as be continues bis never-ending battle for circulation and market share.

The newspapers for which Montgomery is responsible will have to reduce their outgoings to fall in with his belief that less money more efficiently used produces better papers

Ad in the News: Walkers Lites

Sound bites

Tbe Britisb tabloids have clamoured for stories about the excellent series of Walkers commercials starring Gary Lineker. However, it is not Lineker they're interested in this time – it is his glamorous co-star, Gladiators presenter Ulrika Jonsson. The beautiful, bloode Jonsson, with her very public private life, is perfect tabloid fodder.

BMP DDB, Walkers' advertising agency, cleverly plays on this interest by concocting a scenario in which she uses her charms to tempt the "goody goody" Lineker out of a party and ioto ber room. Eating crisps seductively, it looks like she is going to get Lineker into bed, hut he reveals that he is only interested io Jonssoo because of ber Walkers crisps. Swapping a pack for some tissues, he struggles free.

What makes the ad really special is that it is shot in a moody black and white, redolent of the films of the Swedish stage and film director, Ingmar Bergman. Even the dialogue is Swedish, with English subtitles flasbed up at the bottom of the screen. And just in case you doo't get the joke, the pair are dressed in Jonsson's native Swedish costume. Lineker's outfit comes complete with period beard.

The ad looks set to emulate the success of its predecessors in the "No More Mr Nice Guy" Walkers series. Since the ads began in 1995 Walkers has become a £500m turnover business and Britain's largest food brand.

However, lower fat products have only a 1 per cent share of the £2.2hn UK snack market. Walkers has looked to the US where lower fat snacks bave a 21 per cent sbare, and has been prepared to back its hunch by investing £10m oo a new production line and £5m on the launch advertising.

If anyone is going to crack the lower fat market then Walkers might and Lineker's role in the brand's success cannot be underestimated. It has been oo mean feat, given that he is not a professionally-trained actor. Since being chosen oo the strength of botb his Leicester roots (Walkers is a Leicester-hased company) and his nice guy image, his acting has improved eoormously.

He has been seen as a nun, a rocker, and Scrooge; acting aloogside Paul Gascoigne, Jonssoo, and a host of children. He has become one of the more malleable advertising celehrities, comparable with Nicbolas Lyndhurst for W.H. Smith.

The good news for Walkers is that neither Lineker nor the puhlic shows any sign of heing hored with the campaign.

Stefano Hatfield

The author is editor of Campaign

Gary Lineker only wants Ulrika Jonsson's crisps

Tim Jackson

Net calls could take their toll

This week, a service is to be launched that will change the competitive landscape of telecommunications forever. It will be the first widely available service to carry toll-qnality calls over the Internet. In doing so, it will cut sharply the costs of long-distance and international calls, and pnt powerful pressure on many leading telephone companies.

Some readers wbo know about Internet telephony may think they have heard this news before. So it might belp to clarify: this is not a technical experiment by enthusiasts. It is not a service that relies on either the caller or the recipient of the call having a PC to hand. Nor is it a service that compensates for bargain prices with crummy voice quality and unreliable connections. Instead, it is a standard phone service, offered between the US and Colomhia, hy RSL Communications, one of the leading vendors of telephone calling cards in the US.

The technical side of the service is being handled by Delta Three, a small Israeli technology company. Last year, it developed a gateway system allowing voice calls over the public pbooe network to be converted into a stream of digits, turned into packets, sent over the Internet to another computer, decoded back to voices, and finally popped back into the public network hy the computer.

Delta Three used this technology last antumn to offer a pioneering phone service between Jerusalem and St Petersburg. The service was used by Russian immigrants to Israel calling their family back in the old country. It was rudimentary, hard to use and the sound quality was appalling.

Three months ago, Delta Three looked like just one of many tiny new companies that hoped to get into the market by picking off niches. It was stymied by its lack of credibility, and its shortage of marketing power in an industry whose largest companies rontinely spend hundreds of millions of dollars each year on advertising.

And without a telco-sized bank balance, it was unable to offer national access to its services to countries like the US or Britain, using a free 800 number or a network short code.

After that trial, Delta Three changed tack. Instead of trying just to sell its services to callers, it began to knock on the doors of phone companies, offering to deliver bulk traffic for them at lower prices than the cheapest current networks. It would do this by "co-locating" equipment in their offices, which would do all the to-ing and fro-ing on the Internet without reqniring the phone companies to worry about the details.

> The first widely available toll-quality calls over the Net will cut costs sharply and put powerful pressure on many phone companies

Most telcos looked this gift horse straight in the mouth. They refused to deal with Delta Three.

RSL Communications was different. It looked at the technology and realised that Internet telephony could belp it to compete on the hyper-competitive route between the US and Colombia, where callers tend to be Latino immigrants to the US anxious to call bome but very short of money. And if the system failed, it had little to lose.

RSL struck a deal with the tiny Israeli company in which it agreed to buy 1m call minotes every month on this route, with a minimum commitment of 15 mooths, and a right to first refusal over the next dozeo or more routes oo which Delta Three starts to offer Internet telephony.

The deal made perfect sense to both sides. To RSL, it provided a secret weapon in the calling-card price wars – secret until now, at least. To Delta Three, it guaranteed cashflow of several million dollars over the contract period, plus the confidence to start installing its Internet telephony equipment on other routes.

There was just one problem. Delta Three did not have an office in Colombia or own any equipment there. So it signed a deal with a company in Bogota that held the Colomhian licence for CompuServe.

The company agreed to find a home for Delta Three's equipmeot and to provide the outgoing phone lines and modems needed to take calls off the Internet and forward them into the local phone network.

To avoid the uncertainties of dealing with Colombia's public Internet connections, the system uses leased lines provided by Concert, the joint venture between MCI of the US and British Telecommunications, to hook the system directly into the Internet in the US. The result, according to Jacob Davidsou, Delta Three's chief executive, is that the call quality is better than a satellite phone connection, and comparable to a telephone land line.

Meanwhile, Delta Three still hopes to become a branded telco in its own right. It has launched a calling card for Israeli visitors to New York, charging one-fifth of its lowest competitor's prices. And the international rollont is ready to begin with Sao Paolo, Moscow, Tokyo and London.

If I were a pbone company, I'd be quaking in my boots.

tim.jackson@pobox.com

Cyber sightings

by Stephen McGookin

● Britain's longest-establisbed borse racing newspaper, The Sporting Life, has joined forces with national wire service the Press Association to provide what they describe as "the ultimate betting and sports information service on the Internet".

The site (*www.sportinglife.com*) will offer a live news and results service for major sports sucb as soccer, rugby and cricket as well as horse racing, while tapping into the potential market for online betting.

The Sporting Life said the site represented "the first stage of what will develop into the biggest and best interactive sports and betting site in the world".

The site is efficiently laid out and takes users straight to a comprehensive headline digest, although you have to register for a free trial membership to read some of the more detailed items.

● Telescan's Wall Street City (*www.wallstraetcity.com*) bills itself as "The Investor's Supersite on the Web", and offers a range of both free and premium services targeted at the small investor or stockwatcber; including an introductory guide to US markets, bow to identify investment opportunities and bow to learn the mechanics of trading.

● FISH (*www.fish.com.sg*) – the Financial Interactive Services Hub – is a pretty comprehensive information source for tracking the Malaysia and Singapore markets. It gives regional indices, live quotes, gainers and losers, as well as good links to other useful sites.

● Tax-Free International (*www.taxfree.se*) is a guide to tax-free shopping in 20 European countries, aimed at explaining national tax refund systems and outlining a step-by-step procedure for claiming refunds. There will soon be a Japanese language version.

● Details of an upcoming conference, "Doing Business in Ireland", which takes place in Dublin on February 19 and 20, and registration form, are at *www.ibc-uk.com/cont/DS1230/index.html*

Travel News · Roger Bray

Luxury for longer

The Marriott [illegible] poised to unveil a [illegible] of [illegible] business [illegible] to stay abroad for more than a few nights. Industry sources suggest the new brand will offer five-star luxury and differ sharply in style from the group's Residence Inns, which are aimed at long-stay executives in the US.

Ticketless travel

British Airways will extend ticketless travel to all its domestic routes from early [illegible]

Heathrow airport may be shabby, but most customers are satisfied, finds **Michael Skapinker**

Deceptive appearance

There always seems to be at least one moving walkway out of order at London's Heathrow airport. When I asked Sir John Egan, chief executive of BAA, the owner of Heathrow, why this should be, he said it was because so many people used them.

But help was at hand, he said. BAA was empowering its engineers to fix the walkways as they broke down. The night I arrived to catch a flight, the engineers had apparently used their new empowerment to go to the pub.

Not only was there a dysfunctional walkway, there was also something unpleasant smeared on the ground outside the airport's third terminal. The check-in area was strewn with litter, while the gents' toilets were flooded and the hand towels needed replacing.

The lines of passengers waiting to have their hand luggage X-rayed were long because only a few security machines were in use. The carpet in the security area was dirty.

A short distance away, however, on the other side of the machines, we could see a glittering world of plenty. Swatch and Burberry signs twinkled at us from Heathrow's shops, like a glimpse of cold war West Berlin from the wrong side of the Wall.

I am not the only one to have noticed the contrast between the public areas and the shops at the world's busiest international airport.

Sir Terence Conran, the retailer and restaurateur, wrote in The Independent newspaper last year of a visit to Heathrow's terminal one: "All is glossy and new, clean and tidy in the shopping areas; in the walkways and the departure lounge, however, it's an altogether different story. They are fitted with stained, worn-out carpet held together with odd lengths of black tape, patched plastic tiles, odd wires hanging all over the place, broken chairs with their stuffing hanging out, cigarette burns on table tops, rubbish on the floors. The check-in desks are falling to pieces. Even a third world country would feel disgraced by the squalor and shabbiness."

Before boarding my flight from terminal three, I filled in a complaints card and posted it in one of the boxes BAA has put up around the airport. That was over two months ago. I have heard nothing.

Des Wilson, the veteran radical activist who now heads BAA's public relations effort, agreed it was unacceptable that I had had no response. But he strongly contested my view that Heathrow was in danger of becoming a slum. Heathrow's 56m passengers did not feel that way, he said. He sent me to see Stan Maiden, BAA's research director.

Before meeting Maiden at Heathrow, I wandered around the terminals. Two moving walkways were out of order, although the empowered engineers were hacking away at one of them.

Terminal one's public areas were bright and clean; terminal two, largely because it is the oldest, was dark and gloomy; and terminal three still looked shabby.

Did my complaints, I asked Maiden, really make me one in 56m – or two in 56m, counting Sir Terence? Not quite, he said. Heathrow attracts its share of complaints and tries to act on them. BAA is investing £1m ($1.6m) a day at Heathrow, and its managers' pay is partly tied to what passengers say about the airport.

To find out what they think, BAA did a lot of market research, Maiden said. If its activities in this area were a stand-alone operation, BAA would be one of the top 20 market research companies in the UK.

BAA's most basic customer feedback comes from the complaint and comment cards at the airport. Heathrow receives about 7,000 complaints a year. The airport's policy, which broke down in my case, is to reply to all of them. Heathrow also receives compliments on the cards, but people were more likely to complain, said Maiden, "as in any other field".

He uses the cards to identify clusters of complaints, such as a shortage of luggage trolleys or long lines in the security area. The cards are an unsatisfactory form of feedback, however, because they rely on passengers taking the trouble to fill them in.

In addition to reading the cards, BAA interviews 26,000 Heathrow customers a year in a range of languages. They are asked to rate everything from flight announcements to public telephones on a scale of one to five, where five is excellent and one is very poor.

He showed me some recent results, which had the airport receiving a score of four in many areas and over 3.5 in almost all.

One of the few areas scoring below 3.5 was passengers' perception of the distances they had to walk in the airport. Smokers gave smoking facilities in one part of the airport a mark of only 3.4, but non-smokers judged the same arrangement a 3.7. And Heathrow would rather satisfy the non-smokers? "Well, there are more of them," Maiden said.

A fairly creditable performance, if BAA's methodology is sound. Maiden insisted it was. Brussels and Vienna airports have asked BAA to implement its survey methods there.

The group also carries out market research on specific areas, such as whether customers prefer lifts or escalators. Which do they prefer? "It rather depends on their age," Maiden said.

BAA also asks passengers to compare Heathrow with other airports. This gives Heathrow an opportunity to compare itself with competitors such as Amsterdam's Schiphol and Singapore's Changi.

On issues such as availability of trolleys and flight information, Heathrow is somewhere in the middle, below Schiphol and Changi, but above both Paris airports and New York's JFK. Heathrow's cleanliness is rated average, as is seat availability in departure lounges. Heathrow's catering, shops and the attitude of security staff all receive high international ratings.

The least critical Heathrow customers are elderly American and British passengers who travel infrequently. And the most critical? "Regular British business travellers," Maiden said through clenched teeth. "People like you."

A better view of the skies

Business travellers wary of the antiquated air traffic control system at Chicago's O'Hare airport, the world's busiest, can breathe easily once more, Amon Cohen writes.

On January 16, the US Federal Aviation Administration inaugurated a new air traffic control system. The new computer, known as a Display Channel Complex Rehost, finally gives Chicago a modern, reliable system to generate radar displays and other critical flight information.

This page reported a year ago on the worsening record of Chicago's traffic control computer, a punch card-fed mainframe called the 9020E that International Business Machines stopped making in the mid-1970s. The vacuum tubes that powered the 9020E are no longer made in the US. The FAA, which operates US air traffic control, was obliged to import them from eastern Europe.

In 1995, President Bill Clinton vowed rapid action after the 9020E experienced no fewer than six "crashes" (or "outages", as they are known in American) in one year. The system was down for a total of 325.6 hours in 1995 and 333 hours in 1996.

For the most part, such crashes have caused nothing more serious than delays to aircraft. But on one occasion, the back-up computer also failed, leaving air traffic controllers unable to monitor the skies for 11 minutes. One aircraft already airborne had to take evasive action. A further 100 aircraft were delayed on the ground.

The FAA claims the new system will consign such problems to the past. It has 16 times as much memory as its predecessor, is five times faster – but only a tenth of the size. The 9020E was as large as a house.

Similar new air traffic systems have been delivered to flight control centres in New York, Cleveland, Washington and Fort Worth, all of which had suffered problems.

Ironically, because there was such a long delay in replacing the 9020E, the new computer will be in operation for little more than a year: it is due to be replaced in late-1998.

● British Airways is to begin installing new computer software which will enable it to provide frequent travellers with their favourite food and magazines, Michael Skapinker writes. BA says the new software system, provided by Industri-Matematik of Sweden, will be able to relay customer information to 160 airports worldwide.

ARTS

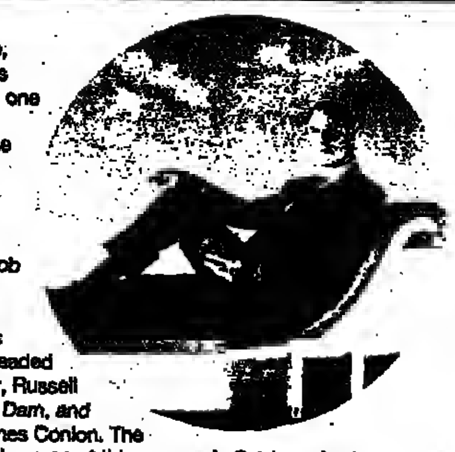
OPENINGS

COPENHAGEN
Some of the most significant recent discoveries by archaeologists in China go on show on Friday at the Louisiana Museum of Modern Art, Humlebaek. The exhibition ranges from the neolithic age to the Han period (5000 BC - 220 AD), and includes objects made in terracotta, ceramics, jade, bronze and silk.

AMSTERDAM
"Mirror of everyday life", opening at the Rijksmuseum on Saturday, is an exhibition of 16th and 17th century genre prints from the Netherlands. Starting with curtain-raisers from the very start of printmaking, it shows how most early prints were designed to tell a story or teach a moral. Works by Lucas van Leyden, Bruegel and Rembrandt are included.

PARIS
Pelléas et Mélisande, opening at the Palais Garnier on Friday, is one of the most eagerly awaited events of the Paris opera season: the main question is whether the stylised stage pictures of American director Bob Wilson (right) will provide a suitable match for Debussy's music. The cast is headed by Susanne Mentzer, Russell Braun and José van Dam, and the conductor is James Conlon. The production can also be seen at this summer's Salzburg festival, with a different cast and conductor.

The Maly Drama Theatre of St Petersburg opens at the Odéon-Théâtre de l'Europe on Thursday in its director Lev Dodin's two-part adaptation of Abramov's *Frères et Soeurs*.

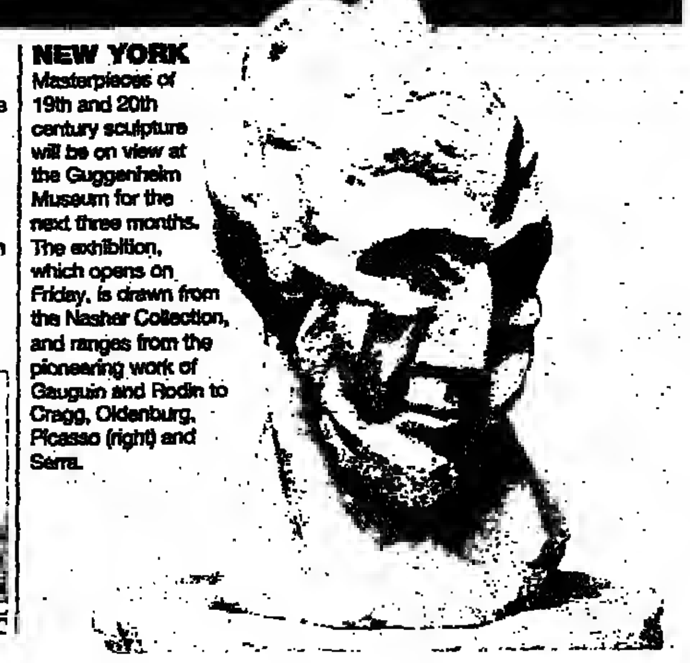


NOTTINGHAM
The director David Pountney, still best known for his work in opera, returns to the Nottingham Playhouse to direct *As You Like It*. The production opens on Friday and is a sequel to his staging of *Twelfth Night* there two years ago.

LONDON
A retrospective of the 60-year career of British architect Denys Lasdun opens at the Royal Academy of Arts on Thursday. It traces the ups and downs of Lasdun's reputation in critical and public favour, with reference to seven key projects, including the National Theatre (below). A parallel exhibition focuses on recent work by British abstract artist Gillian Ayres.

The American New-Age comic ventriloquist David Strassman opens on Wednesday at the Apollo Theatre.

NEW YORK
Masterpieces of 19th and 20th century sculpture will be on view at the Guggenheim Museum for the next three months. The exhibition, which opens on Friday, is drawn from the Nasher Collection, and ranges from the pioneering work of Gauguin and Rodin to Cragg, Oldenburg, Picasso (right) and Serra.



An epic performance

David Murray on a satisfying production of Henry IV

Since Octobar tba English Touring Theatre bas been playing Shakespeare's *Henry IV* – both parts – all round the country, and now it has reached the Old Vic.

It is a substantial undertaking: though the cast is 18 strong, everybody except the King, Falstaff and Mistress Quickly bas to play two or more roles, with even Prince Hal taking a quick extra turn as the Ostler. Watching Parts 1 and 2 in a single day made a long sit (you can see them on successive evenings instead), but by the end we had an uncommonly lucid view of the whole epic.

For it *is* an epic, of course; it presents people of all conditions in rich, sympathetic detail amid great events, as the embattled reign of Henry IV approaches its end. Stephen Unwin's staging is even-handed with all the characters, thus displaying that epic breadth better than letting Hal and Falstaff dominate the play – which, by the way, is much better spoken than most modern Shakespeare productions.

Scene follows scene swiftly in Pamela Howard's plain, practical sets, but we are never in danger of losing the threads of the multiple plots. (Artful lighting by Paule Constabla; Corin Buckeridge supplies eclectic, effective music.) Even the least characters convey personalities, and all the doubling has not tempted the actors into cartoon caricatures.

There is, indeed, a certain austerity about the principal players. Timothy West's Falstaff is not a rollicking, larger-than-life rascal (though he boasts a proper Falstaffian girth, and carries it very well). Rather, he is urbane and precise of speech, delicate in gesture, consciously unscrupulous, faintly sheepish when caught ont, with occasional gleams of malice. At the Prince's final rejection there is no miserable collapse, just a bit of a setback.

A selling point of this production has been that Sam West's greenstick Hal is the real-life son of Timothy, but whether that makes any difference is left to the audience's imagination. He and Falstaff play gracefully to one another, perhaps *too* easily: this cool, shy Prince never seems quite enamoured enough of the old scapegrace to feel much remorse about throwing him off at the end. Hal's "I know thee not, old man" is measured and distant, neither shocking nor suggestive of any torn loyalty.

But young West's Hal develops nicely as the play progresses, shaped more by his painful relation to his stage father than his cautious flirtation with low-life. He rises to earnest sobriety in the last scenes: not a Henry V yet, but ona begins to see the possibility in him. Gary Waldhorn plays the stern, disappointed old King on one note, but thet sonorously commanding.

There is an electrical Hotspur from Paterson Joseph, whom you might remember as the haughty, narcissistic Marquis de Carabas in BBC-TV's *Neverwhere*. Here he is all frantic energy, chafing to be let loose and explode. If his performance breaks through the decorous conventions observed by everyone else, that works splendidly: Hotspur *is* a wild, charismatic spirit, a loose cannon. As his wife, Lucy Briers is as clever and interesting as her fierce little Doll Tearsheet in Part 2.

There, Joseph returns to play Pistol as a dreadlocked Caribbean wild man: in theory rather a promising idea (fustian in Jamaican, so to speak), but unfortunately we understand hardly a word he utters. Joseph O'Conor is first a strong, wracked Northumberland, Hotspur's father, and later a wholly delightful, not-quite-senile Justice Shallow in his Gloucestershire orchard.

The London low-lifers are strictly modern, with Nicolas Tennant making Poins both tough and subtle, and Albie Woodington a hairy, creepy Bardolph. Paul Imbusch plays two bland upper-crust men admirably, first Sir Walter Blunt (on the King's side) and then the Archbishop of York (among the rebels), just as Ian Flintoff covers two hard-nosed, man-of-the-world roles, Worcester and the Lord Chief Justice. Mary McLeod's Mistress Quickly is serenely funny.

Still, what we watch and remember is the whole play, to which all these ingenious performances contribute, without making noisy splashes of their own (well, except Joseph's astonishing Hotspur). Leisurely it may be (Part 2 takes some time to gather strength), but finally very satisfying, innocent of flash tricks or bizarre new readings. I liked it very much.

At the Old Vic until February 22, and afterwards at the Theatre Royal, Bath.

A father and son Falstaff and Hal: Timothy and Sam West — Alastair Muir

Band with a voice of its own

Ireland's national orchestra is at last gaining an international reputation, writes Antony Thorncroft

The National Symphony Orchestra of Ireland, the republic's leading classical orchestra, makes its first London appearance for 14 years at the Royal Festival Hall this month. It is part of a short UK tour which also takes in Glasgow and Edinburgh, and it is a deliberate daclaration that Ireland now thinks it has a symphony orchestra that can compete with its rivals on the Celtic fringe, in Wales and Scotland.

It is perhaps Ireland's great musical tradition which has held back orchestral music there. Traditional folk musicians have always attracted prestige and popular adulation. In recent years Irish pop – U2, Cranberries, Sinead O'Connor – has conquered the world. Then came Ireland's astonishing run of success in that despised heartland of popular music, the Eurovision Song Contest. It bas to be a dedicated young musician who stuck with the classical repertoire against all these commercial alternatives.

But such musicians are at last coming through. Ireland's symphony orchestra has always been under the wing of RTE, the Irish broadcasting service. It created the orchestra 50 years ago and still meets its annual costs of £5.5m, which includes a smaller concert orchestra. As a minor part of the dominant official voice of Ireland the orchestra was slow to assert itself – it slipped into the easy life of a broadcasting orchestra.

It was also not very Irish. Refugees, who fled to Ireland from eastern Europe immediately after the war, made up balf the playing strength and instilled it with the romantic, emotional, sound that it still possesses. The orchestra has had its moments but generally failed to maka much impact on the international stage.

Now that is changing. In 1990 Cathal MacCabe, head of music at RTE, was given control of the orchestra. Five years ago he bumped up the playing strength from 70 to 93 and changed the name from the prosaic RTE Symphony Orchestra to the more prestigious National Symphony Orchestra. He then set about raising its standards and its image.

The first task was to secure a recording concert: CDs give an orchestra status and bring it to the attention of overseas musical agents. Quite by chance Naxos, the discount classical label which had been using inexpensive east European orchestras to build np its repertoire, was looking for alternative sources of music. The NSO was ideal – competent but cheap. RTE was quite willing to let the needy musicians take the fees, waiving any royalty rights.

Rising star: principal conductor Kasper de Roo

Now the NSO has produced over 50 CDs for Naxos, the biggest classical music label in the UK.

On the back of the CDs the tours started, first to Germany, then Hong Kong, now the UK, with the continent of Europe, North America and the Far East already scheduled before 2000. RTE has found money to help finance the travelling. It has suddenly come to appreciate its orchestra, jolted by the report of a committee which last year recommended that the NSO ba divorced from the broadcasting company and funded through the Irish Arts Council. This suggestion may be quietly forgotten: no government is looking for additional cost centres.

> *Ironically it was Ireland's great musical tradition which held back orchestral music*

So RTE is starting to promote its orchestra and to bask in its undoubted improvement. While it was in the doldrums it was hard to attract the top conductors. But two years ago it secured a rising star as its principal conductor, the Dutchman Kasper da Roo, who is also music director at Innsbruck. He seems an inspired choice: young enough to have style; solid enough to curb the players' exuberance. Their performance of Shostakovich's 5th symphony last week was bravura in the extreme.

The players, too, are changing. Retirement is culling the east Europeans; their replacements are mainly Irish and British. They are still poorly paid (some earn only £11,000 a year) but such is the flow of good young players, and the attractions of living in Dublin, that there is no shortage of applicants for any vacancy. The NSO does, however, face unusual competition from the other Irish musical traditions: it recently lost its percussion section to the lncrative pull of *Riverdance*.

MacCabe is gently detaching the orchestra from RTE, partly through touring, partly through hiring it out for recordings and freelance work. Most of its concerts are still broadcast, but it also plays for the Wexford Festival and for the short opera seasons which Opera Ireland mounts in Dublin. His ambition is to develop opera in Ireland – an art-form with more audience potential than classical music but woefully provided at the moment.

The chances of Dublin having its proposed opera house within the next decade seem remote, but MacCabe is a fan of arena-opera and is quite happy for the NSO to play with Opera Ireland, and visiting companies, at the Point, the 6,000-seater stadium on the edge of Dublin.

This passion for opera could have bappy consequences. Almost by chance, in the second half of the 19th century, popular British opera was dominated by Irish composers, notably Joyce and Balfe, whose works like *Maritana* and *The Bohemian Girl*, along with Benedict's *Lily of Killarney*, were the hits of the age. The NSO is well placed to revive this repertoire in performance – it has already recorded *Maritana* for Naxos – and indeed is doing so later this year.

For its London programme on February 18 it is playing safe, with one eye on the fickle box office – offering Stravinsky's flamboyant *Firebird* and Ravel. It is a great gamble taking on the Festival Hall but, judging by its recent work, the NSO'a playing should prove more than a novelty to London's discerning bnt satiated orchestral audience.

INTERNATIONAL ARTS GUIDE

■ AMSTERDAM

CONCERT
Concertgebouw Tel: 31-20-6718345
● Nederlands Philharmonisch Orkest: with conductor George Pehlivanian and pianist Peter Jablonski perform works by Szymanowski, Rachmaninov, Paganini and Stravinsky; 8.15pm; Feb 5

EXHIBITION
Beurs van Berlage - tentoonstellingen Tel: 31-20-530 4141
● Bakeliet 2000 X: exhibition of 2,000 bakelite objects from the collection of Frits Becht focusing on the use and design of the synthetic developed in 1930s Belgium; to Feb 9

■ BARCELONA

EXHIBITION
Fundació Antoni Tàpies Tel: 34-3-4870315
● Ana Mendieta: retrospective of work by the Cuban artist whose installations and sculptural pieces examined the female body and its perception as both a passive victim of crime and violation and as a sacred myth. Given the ephemeral nature of much of Mendieta's work, the exhibition largely consists of film and photographic material, although three of her installations have been recreated; to Mar 30

■ BERLIN

OPERA
Deutsche Oper Berlin Tel: 49-30-3438401
● Martha oder Der Markt zu Richmond: by von Flotow. Conducted by Sebastian Lang-Lessing, performed by the Deutsche Oper Berlin. Soloists include Amanda Halgrimson and Clemens Bieber; 7.30pm; Feb 4, 7

■ BREMEN

EXHIBITION
Neues Museum Weserburg Tel: 49-421-598390
● In vollkommener Freiheit . . . Painting for Themselves: Late Works: exhibition featuring late works by four artists; Picasso (who is represented with pieces dating from 1967-1972), Miró (pieces from 1973-78), Guston (1973-79) and De Kooning (1981-88); to Feb 7

■ BRUSSELS

CONCERT
Palais des Beaux-Arts Tel: 32-2-5078200 (Concerts)
● Orchestre National de Belgique: with conductor Yuri Simonov and trumpeter Ole Edvard Antonsen perform works by Bach, Hummel; Haydn and Schubert; 8pm; Feb 4

■ CHICAGO

EXHIBITION
Museum of Contemporary Art Tel: 1-312-280-2660
● Art in Chicago, 1945-1995: exhibition presenting a historical survey of the art made in Chicago in the years 1945-1995. The exhibition features about 150 works by 135 artists in all media and includes a display of documentary and archival information covering film and video, performance, audio and computer-assisted arts; to Mar 16

OPERA
Civic Opera House & Civic Theatre Tel: 1-312-332-2244
● Turandot: by Puccini. Conducted by Bruno Bartoletti, performed by the Lyric Opera of Chicago. Soloists include Gabriele Schnaut, Ben Heppner and Kallen Esperian; 7.30pm; Feb 4, 7

■ FRANKFURT

CONCERT
Alte Oper Tel: 49-69-1340400
● The Südfunk-Chor Stuttgart: conducted by Dominique My perform works by Jörg Birkenkötter, Beat Furrer, Michael Jarrel and Wolfgang Rihm. Part of the Ensemble Modern series; 8pm; Feb 4

■ HAMBURG

EXHIBITION
Museum für Kunst und Gewerbe Tel: 49-40-24862732
● Von Jeglicher Art und Kunst, Stücke in Gold und Silber Herzustellen: exhibition of the work of goldsmith Thomas Schleede and his apprentices. Schleede is one of the few remaining smiths still using traditional means of production; to Mar 2

■ LONDON

EXHIBITION
National Portrait Gallery Tel: 44-171-3060055
● Ignatius Sancho (1729-1780): exhibition examining the remarkable life of Sancho, who was born a slave yet died a well-known and respected figure in London's literary, artistic and musical circles. The exhibition also places Sancho within the wider context of the black presence in the late 1800s; to May 11
Royal Academy of Arts Tel: 44-171-4397438
● Denys Lasdun: this exhibition takes the form of a critical review of Denys Lasdun's distinctiva contribution to the Modern Movement in British architecture. Examples from throughout Lasduns' career are featured and tha exhibition aims to present architecture to a wider public in an innovative and dramatic way; from Feb 6 to Mar 16

■ LOS ANGELES

EXHIBITION
The J. Paul Getty Museum Tel: 1-310-459-7611
● The Eye of Sam Wagstaff: exhibition paying tribute to the pioneering photography collector Sam Wagstaff, featuring a number of items from his remarkable collection which forms a cornerstone of the museum's holdings; to Apr 6

■ NEW YORK

EXHIBITION
Museum of the City of New York Tel: 1-212-534-1672
● The Streets and Beyond: New York Photographs, 1900-1960: exhibition featuring 70 recently acquired works chronicling street life in New York. Photographers include Berenice Abbott, Robert Bracklow, Harold Feinstein, Rudolph Simmon and Hans Vogt; from Feb 5 to Jun 8

OPERA
Metropolitan Opera House Tel: 1-212-362-6000
● Cavalleria Rusticana: by Mascagni. Conducted by Simone Young, performed by the Metropolitan Opera. Soloists include Barbara Dever, Kristján Jóhannsson, Diana Soviero and Johan Bohta. The programme also includes a performance of Pagliacci by Leoncavallo; 8pm; Feb 5

■ PARIS

CONCERT
Théâtre des Champs-Elysées Tel: 33-1 49 52 50 50
● Alban Berg Quartet: perform works by Schubert. Part of the Schubertiade; 8.30pm; Feb 4

■ TURIN

OPERA
Teatro Regio Tel: 39-11-88151
● Boris Godunov: by Mussorgsky. Conducted by Dietfried Bernet, performed by the Orchestra and Coro del Teatro Regio. Soloists include Anatoli Kotscherga, Claudia Nicole Bandera and Pierre Lefebvre; 8.30pm; Feb 4, 7

■ VIENNA

DANCE
Wiener Staatsoper Tel: 43-1-514442960
● Romeo and Juliet: choreographed by Cranko to music by Prokofiev and performed by the Ballet of the Wiener Staatsoper; 7.30pm; Feb 4, 7

■ WASHINGTON

JAZZ & BLUES
Warner Theatre Tel: 1-202-783-4000
● Lincoln Center Jazz Orchestra: with Wynton Marsalis, Jon Hendricks and Cassandra Wilson perform Marsalis' "Blood on the Fields"; 7.30pm; Feb 5

Listing compiled and supplied by ArtBase, The International Arts Database, Amsterdam, The Netherlands.

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WORLD SERVICE
BBC for Europe can be received in western Europe on medium wave 648 kHZ (463m)

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(Central European Time)

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07.00
FT Business Morning

10.00
European Money Wheel
Nonstop live coverage until 15.00 of European business and the financial markets

17.30
Financial Times Business Tonight

CNBC:

08.30
Squawk Box

10.00
European Money Wheel

18.00
Financial Times Business Tonight

COMMENT & ANALYSIS

South Koreans feel their country is collapsing, says **John Burton**

At boiling point

Ms Lee Soo-mi toils 12 hours a day selling newspapers and hot cakes from a stand made of wood and corrugated metal along one of Seoul's main thoroughfares. Like other South Koreans, she feels bitter abont the bankruptcy last week of the Hanbo steel and construction group amid allegations that it bribed government officials to gain almost $6bn (£3.7bn) in bank loans. "No matter how hard 1 work or honest 1 am, 1 feel betrayed when something like Hanbo happens," she says.

AP

Hand-to-hand combat: workers raise their fists and shout anti-government slogans in Seoul

In the past month, South Korea has been overtaken by gloom as a result of the Hanbo collapse and widespread industrial strikes. The events have been particularly painful, coming shortly after the country celebrated its entry into the Organisation for Economic Co-operation and Development – supposedly a sign that it had graduated to the league of advanced industrial nations.

Now South Korea is beset with problems that have dasbed public expectations of economic and political progress. "It feels like the wbole country is suddenly falling apart," says a Korean broker.

Recent events are feeding public resentment against the government and big business. Despite being the main engines of rapid economic growth, the conglomerates, or *chaebols*, have never been popular. Their rise is linked to their sometimes corrupt collaboration with the former military dictatorship. The *chaebols*' economic dominance and easy sccess to capital bave stunted the growth of small and medium-sized businesses.

The loan scandal involving Hanbo and its owner, Mr Chung Tai-soo, appears to confirm tbe pnblic belief that little has changed under the present civilian administration. "For ordinary citizens, who have trouble borrowing a modest Won5m (£3,600) from banks – one-millionth of the insolvent firm's [Hanbo's] debt – Chung Tai-soo is almost a superstar," was the sarcastic comment of Mr Park Moo-jung, city editor of the Korea Times newspaper.

Public frustration over the Hanbo affair is likely to increase, particularly if the government engages in a cover-up. Almost two-thirds of South Koreans believe that will happen, according to an opinion poll, because of allegations connecting the Hanbo group to senior ruling party officials and even to one of President Kim Young-sam's sons.

The president's unpopular, lame-duck administration – Mr Kim is preoccupied with choosing a protégé as his successor for the presidential elections next December – appears unable to address tbe country's woes. Mr Kim's approval rating has fallen below 20 per cent, according to opinion polls.

"He was good three or four years ago, but not now," says a middle-aged restaurant manager, who believes Mr Kim's early attempts st political reform have been undermined by an authoritarian streak.

A recent dispute over a controversial labour law crystallised public insecurity over the changes South Korea is encountering as it tries to open its protected economy. The inefficiencies of state-guided capitalism are being exposed, while the country's Confucian social consensus has been frayed.

The new law, designed to promote labour market flexibility, threatens a tradition of lifelong employment by making it easiar to sack workers. It also represents the end of an almost feudalistic arrangement under which workers are strongly loyal to their company in return for job security and generous benefits.

Outside the world of work, there is no social security net. "To lose your job is to lose your life," says one union leader.

"I no longer feel I belong to my company, because my future is now subject to the whims of my employer," says Mr Park Il-chu, a car components worker. Last month be joined striking workers staging mass protests in Seoul against tbe labour law.

The anger over the labour law that erupted into violent street demonstrations reflects the Korean concept of *han* – simmering resentment or frustration over unjust treatment. Koreans do not easily forgive slights to their personal or national pride and are not embarrassed about giving vent to their feelings.

They fear recent troubles may be symptomatic of a retreat from recent economic and political gains. Workers complain they will soon have to accept worse job conditions, similar to those endured 10 years ago when they laboured long hours under tough management.

The government's decision in late December to force the labour law through in a secret dawn session of parliament has raised public concerns that the transition from military dictatorship to democracy is faltering. "It proves that, whoever is the president, we still liva under an authoritarian system," says one Seoul taxi driver.

Few believe recent events will lead to the explosion of popular revolts that challenged the government in 1960, 1980 and 1987, bringing down two presidents. "Koreans are more mature and much richer than they were 10 years ago," says a foreign ministry official. "They want stability."

But others are not so sanguine, fearing s push to a more market-oriented economy could fuel disorder by widening the gap between classes. "Koreans are highly egalitarian," says a manager with Hyundai, one of tha nation's largest conglomerates. "We want to get rich togetber or poor together. Otberwise, we become deeply resentful."

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

We are keen to encourage letters from readers around the world. Letters may be faxed to +44-171-873-5938 (please set fax to 'fine'). e.mail: letters.editor@ft.com Published letters are also available on the FT web site, http://www.FT.com Translation may be available for letters written in the main international languages.

Idea of restricting use of euro within its own zone surprising and unrealistic

From Mr T.P. Sweeney.

Sir, The European Monetary Institute is obviously right ("Lamfalussy sees risk in concessions on Target", January 28) to be vigilant in regard to any developments that would undermine the operation of euro monetary policy, but it has yet to be shown why the unrestricted provision of intraday liquidity need have this effect.

Hitherto the main argument for restrictions on the provision of liquidity via "out" central banks has been that this could spill over into overnight liquidity and so risk compromising the monetary operations of the European Central Bank. The way to stop temporary spillovers would be to apply a penal rate of interest to them (this is common central banking practice).

Your article argues differently – that provision of unrestricted intraday liquidity could undermine the operations of the ECB by allowing for greater use of the euro outside the euro zone. The implication is that use of the euro outside its own zone should be discouraged. In today's global market environment the idea of erecting barriers around the euro area is surprising and surely unrealistic.

If successful, the euro will be widely demanded outside the euro zone. The degree to which cross-border euro payments are effected through Target as opposed to other payment methods is unlikely to have a significant effect on the external demand, which will be determined by the preferences of traders, investors and other economic agents.

Limited experience with euro area monetary aggregates will be a complicating factor for the ECB in the early years of the single currency. It is difficult to see how the question of intraday liquidity is of any material significance for this issue.

Decisions on Target access should be taken on the basis of public policy considerations. On prudential systemic grounds, unfettered access is desirable to allow for the reduction of settlement risk. While there is no historical precedent for a central bank providing intraday credit beyond its monetary zone, the issue has to be viewed in context. European monetary union is a unique event, as is the advent of a cross-border real time gross settlement facility.

T.P. Sweeney,
director general, British Bankers' Association,
Pinners Hall,
105-108 Old Broad Street,
London EC2N 1EX, UK

Nato expansion risks hostile Russia

From Richard McCormack.

Sir, With reference to Ian Davidson's article "Dangerous liaisons" (January 22), many national security experts in Washington, including former Senator Sam Nunn, have sharply questioned the wisdom of expanding Nato to the old Soviet frontier in present circumstances.

In his swan song, Mr Andrei Kozyrev, former Russian foreign minister, declared that both he and his policies of co-operation with the west had been discredited by the American government's decision to press for the Nato expansion.

Subsequently, under the hand of the old Soviet era hardliner, Mr Yevgeny Primakov, Russian foreign policy has taken on a distinctly less accommodating tone. A weapons technology transfer and arms sales policy to China has been organised as part of an announced strategic partnership. Submarines for Gulf use have been sold to Iran. Arms reductions treaties have been stalled in the Duma, amid a barrage of harsh rhetoric.

Were Russia today actively threatening former Warsaw pact members, an expansion of Nato membership would be appropriate. Today, such policies only serve as a thumb in the eye of Russian nationalists, and a potential long-term security concern to Russia's military. As recently as the 1920s, Polish armies were operating inside the former Soviet Union, and Hitler's invasion is a fresh memory to many.

Statements from Nato disavowing hostile intent are as credible to many Russians as similar statements from Moscow would have been had the cold war ended differently, and Mexico were being offered Warsaw pact membership.

To go beyond the Partners for Peace programme only makes more likely a self-fulfilling prophecy of a hostile Russia, and reduces the odds that Belarus and Ukraine will have the time they need to develop their own independent institutions before being pressed to join a Russian-centred military alliance, as part of a new division of Europe.

Such foolishness will be given close scrutiny in the US Senate before any two-thirds ratification. Other options for eastern Europe should be considered.

Richard McCormack,
under secretary of state 1989-1991,
818 Connecticut Avenue NW, Suite 800,
Washington, DC 20006, US

Not winners and losers

From Dr Livia Markoczy.

Sir, In John Plender's essay on why eastern Europeans so easily fall victim to pyramid schemes ("Pyramid power", January 28) one very important factor was left out. Many eastern Europeans appear to believe that normal business transactions are zero-sum games. That is, they believe that the only way to win in any deal is if someone else loses.

Until they come to realise that a normal transaction on a functioning market is to the benefit of all parties, they will not have the tools to see the essential difference between legitimate investments and pyramid schemes. Peopla who have been more isolated from the functioning of markets are more vulnerable; so it is no surprise the worst instances have occurred in Albania, Romania and Russia.

I remain optimistic that people will quickly come to understand that business deals are not zero-sum, and that these incidents – while tragic for those hurt by them – will do no long-term damage and will quickly fade into memory.

Livia Markoczy,
senior research fellow,
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Markets discounting 'narrow' emu

From Mr Bill Smyth.

Sir, David Marsh's premise (Personal View, January 29) that the markets have "little doubt" that a broad-based Emu will start in January 1999 seems incorrect. In fact, what the bond markets seem to be discounting is "narrow" Emu in 1999 with entry later – say 2002 – for Italy, Spain and Sweden.

A crude calculation with the example of Italy can illustrate this. If it joins Emu in 2002, the bond spread should be reduced to a credit spread of at most, say, 50bp. In the five years to 2002 investors need to be compensated for the currency risk of the lira versus the D-Mark (i.e. the inflation differential), which could be assumed to be 200bp. For an investor in a 10-year bond the "fair value" spread now is (crudely) the average of these two, 125bp, not far from the current level.

There may be a "slowdown of the Emu bandwagon" but current bond market valuations do not reflect a firm expectation of broad Emu.

Bill Smyth,
78 Wendell Road,
London W12 9RS, UK

Inward investment threat if UK outside single currency

From Mr Rhodri Morgan MP.

Sir, The remarks of Mr Okuda, the president of Toyota ("Toyota chief in warning on Emu", January 30) that the company would not be likely to invest further in the UK if it was outsida the single currency, raises the spectre of Britain again becoming industrially marginalised. The UK share of investment in Europe by non-European investors searching for the right gateway to Europe could drop again to the level suffered between 1958 and 1973.

Apart from those 15 years when the Common Market was in being, and the UK was outside it, the UK has consistently, since the second world war, received 40 per cent of non-European investment into Europe. This bas applied whichever government is in power. It has also applied wben there was no Common Market at all – 1946 to 1958. The reasons the UK is so favoured are complex and relate to Englisb being the international language of business, expectation of fair treatment by regulatory agencies, generous grants to go to assisted areas and so forth.

Between 1958 and 1973, when there was a Common Market, but Britain wasn't in it, that 40 per cent share dropped to 15 per cent. The $64bn question for everyone in Britain, and especially those who live in the assisted areas, is whether such a drop could happen again, if a single currency is formed and Britain is outside it.

If a wide swathe of Far Eastern or North American big industrial companies develop the same perception of the European single market as Mr Okuda, that is the possibility we face. That factor will have to be uppermost in the minds of everyone involved in making the decision on whether Britain joins the single currency early, late or not at all.

Rhodri Morgan,
Labour front bench spokesman on Welsh affairs,
House of Commons,
London SW1A 0AA, UK

Management • **Emiko Terazono**

The local connection

Japanese banks are hiring more foreigners in an effort to expand their business

Japanese banks bave been used to running their foreign operations from Tokyo and have been slower than their counterparts in manufacturing to cede control to local staff.

One reason for this is that, until recently, the banks' international operations largely consisted of following their Japanese clients overseas, rather than providing banking services to local customers.

Now they are under pressure to undertake more local recruitment. The motivation for many is to cnt costs, rather than to improve international perspective. Expensive expatriates are being sent home and replaced with non-Japanese staff and managers.

But the strategy is creating tensions within some organisations. As many decisions are still made in Tokyo, the language and cultural barriers bave been hard to break for non-Japanese.

Japanese institutions still emphasise consensus. *Nemawashi*, the behind-the-scenes sounding out of issues, and *ringi*, the official consensus-building process usually accomplished through internal memos in Japanese, are still important. Managers who do not speak Japanese have little means of communicating with counterparts in Tokyo and have been left out of the decision-making process.

While this is frustrating for non-Japanese managers, Japanese staff have also found the situation stressful. "We end up taking on those deals and work which belong to other managers," says one middle manager at a bank in the City of London.

These Japanese expstriates feel squeezed between Tokyo and the non-Japanese staff. "The branch manager may be pleased with what superficially lcoks like localisation, but the inefficiencies hsve grown," says the manager.

> As many decisions are still made in Tokyo, the language and cultural barriers have been hard to break for non-Japanese

Some Japanese banks in the City are now trying to remove the language barrier by circulating *ringi* memos in English. Mr Yutaka Kitamura at Sanwa Bank's London branch says the proportion of paperwork in English has increased greatly. A few banks are trying to take the process further forward.

"We want to compete against other European banks and for that we need local specialists," says Mr Shunichi Okuyama, managing director of Sumitomo Bank in London. The bank's financial products and loan divisions are staffed by non-Jspanese officials.

The bank also surprised other Jspanese institntions by transferring s team of UK managers to Hong Kong three years ago. It was the first time a Japanese institution had moved a non-Asian manager to the region.

For local empowerment really to take effect, however, regional decision-making bodies need to be set up outside Tokyo. Divisions overseeing loans, budgets, strategy and auditing that can be shifted out of head office should be, says Mr Okuyama. In the US Sumitomo has an American head office making business decisions in the region.

Fuji Bank, too, is trying to accelerate local control. The bank is working on an international personnal system with a full benefit and pensions scheme for non-Japanese staff.

With Japanese clients now accounting for just a fifth of all business – down from 40 per cent or 50 per cent a decade ago – Fuji must become a truly European bank, says Mr Akio Takeuchi, general manager of Fuji in London. To do so, it must keep qualified specialists who demand high salaries and are wooed from other institutions. "For us, localisation is no longer a cheap alternative."

In spite of all their efforts, Japanese banks are s long way behind their US and European counterparts, say Japanese banking executives in the City.

As one London-based Japanese banker says: "We see European banks which have their eyes set on the world bringing in international executives as board members and changing their internal official language to English. This is something bank executives in Tokyo do not seem to realise."

FINANCIAL TIMES

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Monday February 3 1997

Giving credit to the poor

The Microcredit Summit which began in Washington yesterday draws attention to a 1990s rarity: a development programme which everyone likes. Even the harshest critics of aid find it difficult to object to making credit and saving facilities available to the world's poorest. And rightly so: experience worldwide has shown that micro-finance institutions can help many along the road out of poverty – especially women.

Private financial markets fail when it comes to the very poor, in rich countries as well as poor ones. The United Nations reckons that a mere 0.2 per cent of global commercial lending goes to the poorest fifth of the population. Banks do not seek out poor villages or districts because that is not, to coin a phrase, where the money is. But deprive poor people of the chance to lend or save even modest amounts and they are a lot more likely to stay thet way.

Enter micro-finance and a rare opportunity for beleaguered defenders of development assistance to trumpet success. From southern Bangladesh to Chicago's south-side, many micro-finance projects have filled the gap, fuelling "micro-entrepreneurship" and – as important – helping their clients reach a basic level of economic security.

A draft summit declaration calls for a massive injection of funds into micro-finance projects, which usually have to be subsidised for at least five years before they have a hope of becoming self-sufficient. The goal is to reach 100m of the world's poorest families by 2005, np from 8m today. The summit's organisers estimate this will require \$21.6bn, of which around a third would be from official sources.

Does this maka sense? The answer is probably no. Seeking to learn from micro-finance success stories and to build on them is one thing. Diverting a large chunk of the scarce resources available for anti-poverty programmes into local projects that lack the capacity to absorb them quite another.

Most fans of micro-finance would agree there is littla point in funding projects without looking carefully at tha community's ability to exploit them. Equally, few would argue that money ought to be diverted from other, just as important, prerequisites such as basic education and healthcare. There is a danger, however, that donors will forget these caveats in the rush to support the fashionable development success of the day.

The value of the summit must not be judged by dollars and cents. It will have been a success if the official and non-governmental organisations represented come ont better informed sbout the benefits and potential pitfalls of micro-finance, and keener to collaborate on getting it right. But the participants should also be using the welcoma popularity of micro-finance to focus attention where it ought to be – on why such a large share of development assistance is not reaching the poor. On average, 35,000 children under the age of five dle every day from malnntrition. Part of the solution to this horror will be micro-finance. But she who would be a successful borrower must first live.

Helping Algeria

Mr Piero Fassino, Italy's deputy foreign minister, seems to have embarrassed his superiors with his call last week for a European Union peace initiative in Algeria. Mr Lamberto Dini, foreign minister, quickly explained that Italy had "no intention of proposing a mediation" between Algerian parties. It transpires, moreover, that Mr Dini's meeting with his French and Spanish colleagues, at which he had been expected to present the Italian initiative, will not be held today, as reported, but later in the month.

Yet Mr Fassino's statement reflected more than a passing personal thought. In Italy, France and Spain, officials watch developments in Algeria with ever greater anxiety. It seems less and less likely that President Liamine Zeroual can end the violence by a purely repressive strategy. To isolate the terrorists of the Armed Islamic Group (GIA), ha must open a dialogue with more moderate opposition forces, including the Islamic Salvation Front (FIS) which won the first round of the aborted 1991 election.

Governments are reluctant to say this publicly, for fear of harming relations with a country where they have a big commercial stake. But last week senior French politicians outside government broke ranks. Mr Lionel Jospin, the Socialist leader, said France should not "remain silent," nor give the impression that it is an unconditional supporter of the Algerian regime". Mr Valéry Giscard d'Estaing, former president, suggested that all parties that took part in the 1991 elections should be allowed to compete in those planned this summer.

The scope for governments to use economic aid as a lever is limited, since the banks rescheduled Algeria's foreign debt in 1994 after heavy lobbying by the French government. Rising energy prices have filled the coffers of the state and the pockets of its ruling class, while the mass of the population sinks further into misery and terror.

But past mistakes cannot excuse present inaction. European governments should tell Mr Zeroual that his elections must be preceded by free debate, monitored by international observers. The EU must also be prepared to enforce the human rights and democracy clause in the new partnership agreement it is about to negotiate with Algeria. Europe could thus show itself on the side of the many innocent Algerians caught in the crossfire between state terror and that of the Islamic fundamentalists.

Wrong line

Once there was a ruler, more kindly than wise, who said: "All subjects need air, water and the fruits of the earth. Air is free and water is plentiful. Therefore I decree that food also shall be given withont charge to each according to his need."

Despite the wild rejoicing which greeted this announcement, the ruler soon became unpopular – as any economist would predict. When the cash tills were removed, the shops became empty. Sullen queues formed before dawn to catch the deliveries, and thosa at the front of the line carried away far more than they needed, because tomorrow they might go empty away.

Described in such terms, the perils of zero marginal pricing appear trivially obvious. However, the moral seems to have escaped many providers of Internet services and many US telephone companies.

America Online, the largest Internet service provider, is now threatened with a series of lawsuits from customers discontented over what they are getting in return for their flat-rate subscription. They thought they had been offered access to the Internet at a marginal cost per minute of zero, only to find everybody else jamming the lines.

The problem is compounded by the fact that US regional telephone companies offer free local calls. So for a fixed annual fee users can surf the net for as long as they like. Predictably, many use tha service for much longer than they need, even leaving their computers connected continuously to avoid losing their place to the next person in the queue.

This mess has occurred because voice lines and high-capacity long-distance connections are being used for purposes far removed from what was envisaged when their tariff structures were established. America Online is not entirely to blame for trying to exploit an irrational pricing structure, although its marketing may have been too aggressive.

The remedy must lie, rather, with the telephone companies and their regulators. Since the Internet is here to stay, local call pricing must take account of the new technology. Free calls may once have had a populist appeal for local politicians. Those days are – or should be – over. Long-distance carriers also need to be able to charge prices which reflect the cost of developing new lanes on the information superhighway. If they do not, there is a risk that everyone will be jostled off the road.

Drive to plug the gap

Though Europe appears to be lagging behind in information technology, this may be about to change, says **Nicholas Denton**

Mr Andy Grove, the ever-anxious chief executive of chipmaker Intel and author of *Only the Paranoid Survive*, is now worrying on behalf of Europe. In a speech today at the World Economic Forum at Davos, Switzerland, he will warn that European companies risk losing competitiveness because they are unenthusiastic about information technology.

"My biggest concern for Europe is that its companies operate like oldline US companies did 10 years ago," says the man behind the world's dominant manufacturer of the semiconductor chips at the heart of computers.

Crucially, Mr Grove claims, the Europeans lag behind in odoptiog Internet applications such as electronic mail. "These applications let you react in minutes and hours instead of days. In that sense, Europe is way behind."

There may be an element of self-interest in Mr Grove's concern: Europe bas been slower than the US to buy Intel's newest Pentium chips. But complaints over Europe's slow IT growth have been voiced by other large companies, including Computer Associates, the software company, and International Business Machines, the world's largest computer maker. Europe's IT producers appear to lag behind as much as consumers: a report presented to the European Union Council of Ministers this weekend has warned of a "disturbing" competitiveness gap between Europe's IT industry and that of the US and Japan.

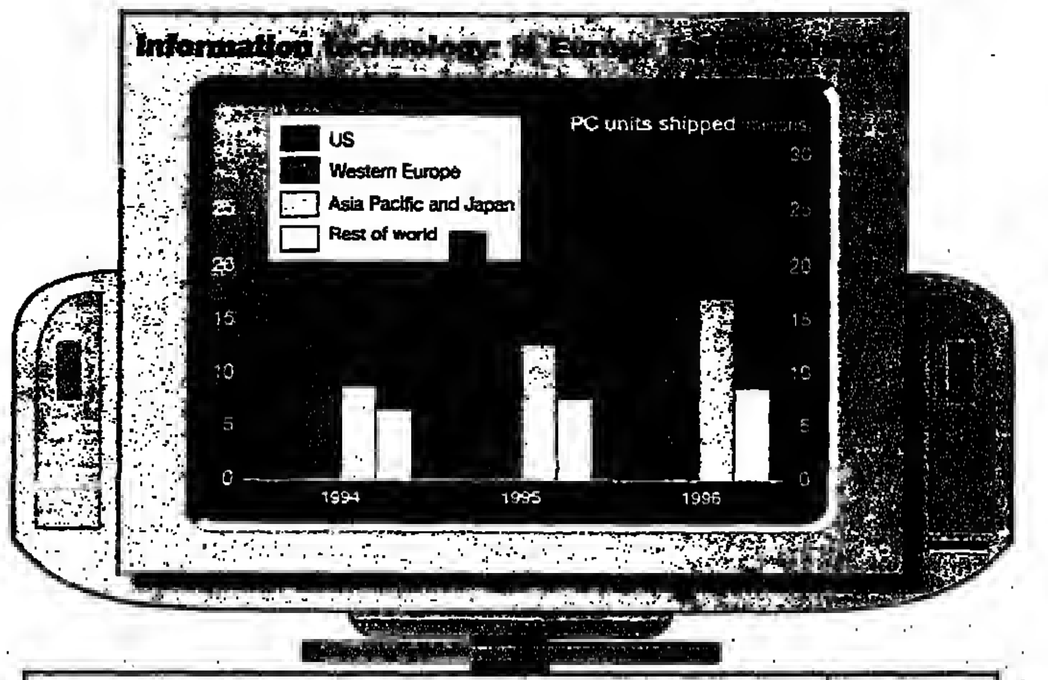
However, while Europe has undoubtedly trailed the US in the use and production of information technology, there are signs that it is beginning to catch up. In sectors such as financial services, large companies are putting their computer systems at the heart of their businesses. And for European developers of IT hardware and software, conditions are improving in three crucial respects: better access to funding, a reduction in barriers to marketing, and the emergence of a new entrepreneurial culture.

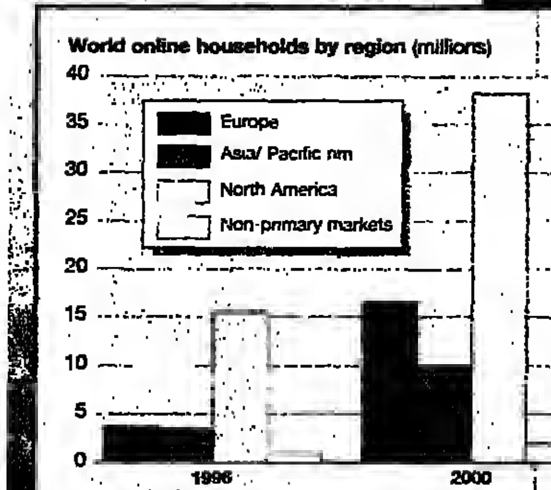
The raw statistics certainly seem to back Mr Grove's case. Sales of personal computers in Europe have slipped for the first time below those to the Asia-Pacific, according to IDC, the market research company.

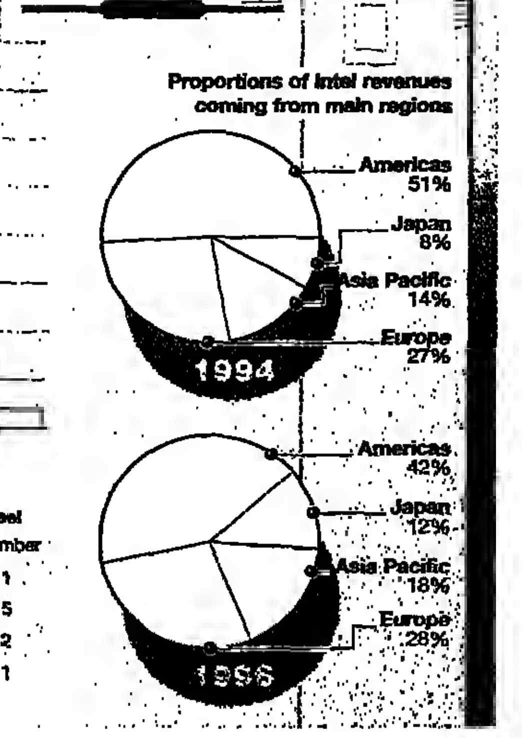
European sales, which grew only 5 per cent last year according to IDC, appear to be faltering, even though the proportion of households with a PC is still only half the US level of 40 per cent. The US has four times the number of households online as Europe, and will still have more than twice as many in 2000 if present trends continue.

Meanwhile, Olivetti of Italy, Europe's last mass producer of PCs, sold off that business last month. Software developers and other IT companies in Israel attracted more finance last year through initial share offerings than their counterparts in countries such as France or the UK with 10 times the population.

Slemens Nixdorf of Germany believes low IT spending reflects Europe's over-regulated labour market, which makes it difficnlt to shed staff. "Europe is still much more reluctant to substitute technology for labour and in that sense is behind the US," says Mr Robert Gogel, a board member.







Information technology initial public offerings

	US		Europe		Israel	
	\$m	Number	\$m	Number	\$m	Number
1993	3,881	125	66	3	84	1
1994	3,009	129	159	6	32	5
1995	6,230	183	296	6	20	2
1996	13,557	271	450	9	298	11

Sources: IDC, IFR Securities Data, Jupiter Communications, Intel

Such unflattering comparisons miss revealing detail – as can be seen from the financial services industry. US companies such as Charles Schwab, the stockbroker, and Wells Fargo, the retail bank, have taken a lead in their fields by giving customers access to accounts over the Internet. But some European groups are at the forefront in other technologies.

Halifax Building Society, the UK mortgage lender, uses neural network technology which mimics the action of the brain to judge the profitability of individual lending decisions. Direct Line, the UK direct-selling insurer, uses advanced database marketing software to pinpoint potential customers and identify ones that might be about to defect. And even the high-tech Wells Fargo has visited Lloyds-TSB, the largest UK retail bank, to learn from its modernisation of old mainframe systems.

Europe has also produced some exceptional IT companies. Software developed by SAP of Germany is used by most of the world's largest oil, chemicals and pharmaceuticals companies for functions such as the control of stock. Tha smartcard technology developed by Mondex, the UK venture developing an electronic equivalent to cash, was sufficiently advanced for Mastercard to buy into the consortium. And mobila telephony has produced world-class equipment manufacturers in Nokia of Finland and Ericsson of Sweden.

Indeed, there are signs that successes such as these are making it easier for European IT companies to raise venture capital – a perennial problem in the past. In the US, venture capital firms financed the explosion of IT companies in places sucb as Silicon Valley – investing \$1.8bn last year in California alone.

The venture capital industry in the UK, which represents about half of European venture investment, invests a similar proportion of gross domestic product to its US equivalent – about 0.8 per cent a year. But just 40 per cent of the UK finance went into high-tech companies in 1995 compared with 78 per cent in the US.

Mr Hermann Hauser, who has founded or backed about 20 start-ups in the UK, explains how difficult it was to raise finance for one venture: "The recommendation of UK venture capitalists was to go to the US and find US investors alongside whom thay would be prepared to invest."

In fact, the US venture capitalists have already begun to arrive in Europe – attracted by the success of investments such as that in 1993 by General Atlantic Partners in Baan, a Dutch business that develops software used by companies such as Boeing and Hitachi to control stock and project sales. Baan's market capitalisation has since risen 30-fold.

Venture capital firms such as Advent, Warburg Pincus, New Enterprise Associates and Oak Investment Partners have brought not just money but also the networking skills that have helped small start-ups in the US find managers, publicity and customers. And several west coast investment banks such as Robertson Stephens arrived in 1996 offering to take European IT companies to Nasdaq, New York's exchange for growing businesses, where Baan and Dassault Systèmes of France are already listed.

"Obviously we did not move here for the weather," says Mr Josh Rafner, head of investment banking for Hambrecht & Quist. "There were more and better companies than we could adequately service from California. I got tired commuting over Greenland."

The creation of new European stock markets such as the Alternative Investment Market in London and Easdaq, which is based in Brussels and modelled on Nasdaq, will make it easier for home-grown venture capitalists to sell their stakes and realise gains. And European fund managers are becoming more willing to invest in local high-tech shares.

One reason for earlier caution among European venture capitalists over investments in high-tech companies was the low rate of return compared with finance for alternatives such as management buy-outs. In many cases, this low rate of return reflected the difficulties in selling in the fragmented European market.

"European bankers, far from being laggards, are just as smart as their US counterparts," says Mr Marcus Lovell-Smith, of Ramar, a European maker of chips which read electricity meters. "The issue is the sheer size of the US market." Ramar had to tailor its product to satisfy differing regulations in each European country; US competitors can address a huge home market with one standard product.

But the Internet is making it much easier to reach the scale of production that leads to adequate rates of return. By making it easier to distribute news and software, it is creating a seamless global market for many IT products.

"What the Internet has solved is the problem of getting the products into the shop," says Mr Michael Lynch of Neurodynamics of the UK. His company develops "intelligent agent" software which can, for example, search for information on the Internet.

Opportunities such as these are changing the European IT business culture. Managers at large companies have previously been unwilling to risk their careers on a new start-up, while technologists have been reluctant to give up control in exchange for expansion finance.

But the power of example is weakening these aversions, observes Warburg Pincus, the US venture capital firm. Europe now has at least one shining example of the rewards for being prepared to take risks, in Mr Jan Baan. The company's success has allowed the Baan family to set up a charitable trust for the developing world with a shareholding worth more than \$1bn. That looks attractive, particularly when established companies such as Bull of France and Olivetti no longer look like secure workplaces.

Europe still has no cluster of high-technology companies that comes close to Silicon Valley or even Israel. And a stockmarket reverse could easily halt the flow of US finance into the European IT ventures.

But for the moment observers at US firms such as Hambrecht & Quist believe there are profits to be made in European IT investment. "We are seeing a resurgence of European entrepreneurialism and good technical skills," says Mr Rafner, "and we are here to financa them."

· O B S E R V E R ·

Passport to Paris

■ France is dangerously close to scoring an own goal in the build-up to next year's football World Cup. In its haste to build a huge new stadium in the Parisian suburbs, the authorities seem to have got themselves into a tangle over all-important sponsorship.

A tricky piece of legislation called the *loi Evin* has for several years outlawed advertising of alcohol and tobacco on French television stations. Good news for the health lobby – but not for tha US brewer Budweiser, a leading sponsor of the 1998 championship. Nor are French TV channels happy they might be unable to show the games.

So what on earth can be done, short of breaking the law? Maybe France will turn to technology developed by its own Lagadère group, which can electronically remove any inappropriate advertising hoardings from television broadcasts. But another possibility – which Budweiser would no doubt find much more to its taste – is confronting high-ranking French officials.

The innovative proposal would simply make the stadium "extra-territoriale" for the duration of the championship: temporarily creating nothing less than an independent state, little larger than a football pitch and totally exempt from the strictures of French law.

Naturally, Observer sought an official comment from the French ministry of sport on such a fanciful suggestion. After much hesitation, the ministry will only say that the matter is extremely delicate and that no firm decisions have been taken.

Quite so. After all, declaring independent the huge stadium which was formally named the *Stade de France* is not something to be lightly undertaken.

Positive move

■ Civil servants in Puerto Rico who want to keep their jobs will soon have to line up outside clinics for mandatory drug tests. Those who test positive will be shown the door.

The move is part of government efforts to reduce the high drug-related murder rate in the US Caribbean possession, which is a favourite conduit for Latin American narcotics smugglers. Although Puerto Rico is part of the US customs jurisdiction, there are no routine checks on cargo between the island and the US mainland.

So Pedro Rossello, Puerto Rico's governor, who was re-elected last month on a platform to combat crime and drug smuggling, says the drug tests are a must. His justice secretary has rejected accusations by local trade unionists that the move violates Puerto Rican constitutional rights and creates a dangerous precedent, allowing the government to erode civil liberties in the name of crime-busting.

Puerto Rico's murder rate is second only to Washington's, says an impatient government. Maybe this will improve if the drug testing goes through – though plenty of ex-bureaucrats could be left harbouring murderous thoughts.

No skidding

■ So it's true. No self-respecting Italian motorist takes a bend on four wheels and too many British drivers still use their vehicles as though there's a man with a red flag in front of them.

Proof of the old, national stereotypes on driving behaviour has finally arrived in the form of some indiscreet yet fascinating insights from Michelin, the French tyre group. The normally secretive company has just let slip, during a rare visit by journalists to its tyre-testing facility in southern Spain, that British drivers get through their tyres at a much slower rate than most of their continental European counterparts.

It seems that Italians – for whom the smell of burning tyre rubber is akin to an aphrodisiac – get through their treads almost one-third faster than pottering Mr and Mrs Pooter. The Brits also keep right on to the end of the road long after the French are forced to re-tyre their turbo-powered Baguettes and the Germans their six-cylinder Bayerischen Bratwursts. All of which is good news for the parsimonious Pooters – though it's bound to leave Michelin man a little deflated.

Party vote

■ Having finished his business at the world economic forum in Davos, Malcolm Rifkind, Britain's foreign secretary, yesterday popped into Liechtenstein; it was the first official visit by a senior British minister that most of the 27,000 population can remember. Before anyone gets too flattered, however, it seems the tiny principality offered a convenient stopping off point on the way back to Zurich airport, rather than a venue for talks on important affairs of state. As it turns out, his arrival coincided with Liechstenstein's general election; one tip which visiting statesmen might like to pick up, his hosts had the good sense to combine the day with an annual carnival.

The Financial Times

100 years ago

A Dubious Proposal
New diamond mines of dazzling promise should usually be regarded with some suspicion, and when a concern of the sort is not only represented as phenomenal, but advances by stealth on the attention of a guileless public, there is especial reason for distrust. If the reports concerning the Inverell Diamond Fields of New South Wales can be believed, the property is one of the wonders of the world. The De Beers company is content to make large profits on a yield of barely one carat per load; but four loads from these Inverell fields have produced, it is said, 154 carats. If there were a real prospect of the Company achieving one quarter of what it is said it can do, the concern would be one to proclaim from the house-tops. Recipients of the prospectus should leave the shares in the hands of the promoters.

50 years ago

Tanganyika Diamonds
Dar-Es-Salaam, 2nd Feb. The export of diamonds from Tanganyika in the first 11 months of 1946 shows a very great increase compared with the same period of 1945. The total was 112,576 carats valued at £926,000 compared with 101,982 carats and £523,544.

FINANCIAL TIMES
Monday February 3 1997

Pakistani exile campaigns by telephone from London

By Khozem Merchant

The rhetoric of Pakistani politics is raw at the best of times, so there is nothing immediately surprising in the recent harangues of Mr Altaf Hussain, the exiled leader of the Mohajir Quami Movement, against "extra-judicial killings of the Mohajir people".

The difference is that be makes his impassioned election campaign speeches not from the stump but by using a telepbone at the movement's beadquartera in the London suburb of Edgware.

In the past three weeks, Mr Hussain has been giving six or seven speeches a day – each up to three hours long – live on an international telephone line which carries his voice via giant loudspeakers to vast crowds in MQM strongholds.

By most accounts, the effort, while expensive, is paying off. The MQM, which champlons Urdu-speaking migrants from India, is likely to emerge as the third largest political party in today's national and provincial elections.

The party is forecast to win 12 seats in Karachi, its home base, which it governed until the army stepped in three years ago, and two more in Sind province.

A 14-seat result would give the MQM leverage that could lead to s place in a coalition government.

Mr Hussain has lived near Edgware since fleeing Pakistan in June 1992 after receiving dozens of death threats, and it is by no means clear thet he will return to Pakistan even if the MQM does well.

Pakistani authorities say he has blood on his hands. His supporters say that with more than 100 charges to his name, from murder to aedition, be may yet end up with a noose round his neck.

"The presence of thousands of people at our rallies is evidence of the rejection of ths charges against me," be says.

He is slightly breethless after a rousing speech, delivered in Urdn and English for the benefit of the international monitoring team, to a rally in Gulshan-e-lqbal, a wealthy Karachi suburb.

Gulsban-e-lqbal is the last big speech of the day, before a final firebrand delivery to the slum colony of Qarangi, another MQM stronghold. Hs spits out the name of Benazir Bbntto as he reminds the voters of the discredited former prima minister whose administration sent the army into Karachi. Thousands died in the subsequent violence which brought Karachi to its knees, crippling the civil administration and business.

"She granted gifts of land and promotion to the police who killed Mohajirs, but see how the gods have taken revenge – the same police murdered ber brother," be cried, referring to last year's slaying of Murtaza Bhutto.

Saturday was the final day of campaigning, though it was hardly apparent at Edgware HQ. Abont a dozen people, many exhausted after two weeks of campaigning combined with fasting during this month of Ramadan, quietly prepared for the last rallies.

The chief MQM organiser in Edgware is Mr Mohammed Anwar, an accountant like his MQM colleague and business partner Mr Tariq Meer. Among the ranks of this unlikely cell of activists is the wife of the chief executive of s bank.

On a wall in the secretariat is a map of Karachi that is labeled as the "City of Death". In this, as in previous polls, death is a campaign issue.

Nawaz Sharif, leader of the Pakistan Muslim League party, greets supporters in Lahore as election campaigning ended Reuter

Low turnont expected, Page 4

German doubt on Emu start

Continued from Page 1

be barmonised, at the lower end of the range. This will be enormously deflationary."

But cost differentials between countriea would remain, including longer holidays and shorter work weeks. "From a political point of view, bow will we be able to adjust our structures?" he asked.

Mr Kenneth Clarke, UK finance minister, said this was at the beart of the debate: "The pressures to speed up structural change will be very strong indeed. Consumers may have to accept lower wages in line with lower prices."

Open skies

Continued from Page 1

to qnerying theBA-Amercian alliance, Brussels is pressing for the right to negotiate open skies agreements with the US on behalf of all EU member countries.

The UK government believes that if it fails to reach agreement with Washington, pressure from the Commission to negotiate on behalf of member states will grow.

Washington bas conclnded open skies agreements with 12 European countries, including Germany, increasing pressure on the UK to do likewise.

Europe lags in technology race, warns EU report

Urgent action needed to close gap with US and Japan

By John Griffiths

Urgent political and economic action by all EU member countries is needed to belp Europe's information and communication technology (ICT) industries close a "disturbing" competitiveness gap with the US and Japan, according to a report prepared for the EU Council of Ministers.

"Europe's progress in closing the gap is slow or even non-existent," warns tbe report from consultants Booz-Allen & Hamilton and commissioned by the Dutch government, holder of the presidency of the Council of Ministers.

Among its generally damning conclusions, the report finds that Europe's share of traditional ICT masa-market products has stagnated.

The EU's growth rate in critical, expanding sectors such as software is only one-fifth that of the US, and output of IT hardware and consumer electronics is fslling behind US and Asian competition.

The report places much of the blame for this poor performance on major differences in the ICT-related policies of individual EU member countries. This resulted in a fragmented European IT and communications framework, with diverging technical standards, different national licensing rules for products and differing treatments of infrastructure.

"In place of entrepreneurial initiative it is all too often regulation and bureaucracy which dominste in Europe," said Mr Gerd Wittkemper, Booz-Allen's bead of worldwide communications, media and technology practice. Mr Wittkemper presented tbe report's main findings at an informal meeting of EU industry ministers in The Hague over the weekend.

Even in the semi-conductor and passive components sector, wbere Europe retained s relatively stable market share, its manufacturers had "slipped behind" in the amount of value they added, he said.

The report had a warning, too, over equipment for public information networks – tbe only sector in which Europe is the world market leader. In critical new areas of the sector, such as equipment for the information "superhighway", the US "seems to be taking the lead". The report calls for a series of policy initiatives, including:

- Harmonisation of telecommunications markets, with a regulatory body responsible for the entire ICT industry and introduction of a common regulatory framework in the long term.
- Acceleration of the reform of standardisation procedures, with national organisations to be integrated into a common European approach for the entire ICT business.
- The merging of currently sector-specific research and development programmes to cover the entire industry spectrum. Under current circumstances, "access to s large market under uniform conditions is significantly impeded if not altogether prevented", according to Mr Witlkemper.

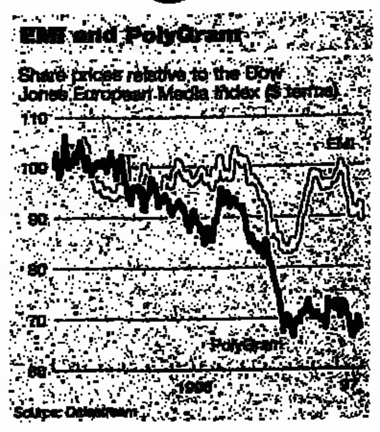
"One of the consequences is that Europe ls waating chances for job creation. The lack of s large European domestic market is counter-productive to successful entry into the key global markets of the future," be said.

Drive to plug tbe gap, Page 19

THE LEX COLUMN

Music goes pop

The Spice Girls permeated the UK airwaves over Christmas, but there has been little spice elsewhere in the music industry. Over the past five months, shares in the two listed European record companies, PolyGram and EMI, have sunk down the charts. Problems have been numerous. Sales growth in developed markets tailed off sharply, particularly in the US and Germany. In the US problems have been exacerbated by overstretched music retailers, whicb are trying to discount and destock their way out of trouble. Compact discs are losing their premium pricing as the switch from records and tapes slows. And finally, the release pipeline bas been uninspiring, with a few big-budget launches getting a thumbs down from the consumer.



Given the music industry's racy stock market ratings, the response has been inevitable. After all, PolyGram's 1996 profits will probably be lower than in 1994. Nonetheless, industry trends remain more positive than the noise suggests. Six per cent compound annnal growth looks achievable over the next decade, and emerging markets could add considerably to the running rate for some companies.

PolyGram's Hollywood ambitions and exposure to the sluggish classical music market make it less attractive. But EMI should fare better. It trades on a similar multiple of enterprise value to cashflow, but has the advantages of limited US exposure, a strong publishing business, and no controlling shareholder. Consolidation was a significant factor in the industry's growth in the 1980s, and EMI is bound to participate if there is a second wave.

The dollar

Since bottoming in April 1995 the dollar has rallied strongly, with the new year only adding renewed vigour. But this needs to be kept in perspective. Back in 1970 the dollar bought you DM3.70, Y360 and SFr4.30. Even after the latest gains, the dollar today buys only about DM1.60, Y120 and SFr1.40. Still, there is increasing reason to believe this long-term structural decline is over, and that the strong currencies of the floating-rate era – the yen, D-Mark and Swiss franc – are experiencing more than a temporary reversal.

It is important, of course, not to be seduced into simply extrapolating from the latest trend. The dollar is benefiting from a supportive cyclicel anvironment. Economic growth in the US continues to outstrip that in Europe and Japan, while short and long term interest rate spreads favour the dollar. But these cyclical trends are underpinned by other factors pointing to a more durable change. One is underlying economic performance. Ths other is the policy backdrop.

For many years the dollar was laid low by a combination of indifferent politics and bad economics. Successive Treasury secretaries talked down the currency, as if they were indifferent to its value. The dollar was also dogged by large and ongoing twin deficits – budget and trade – which gave the impression of a country living well beyond its means. This has changed; the trade deficit has fallen, the budget deficit halved and the savings rate risen.

The policy environment has also changed. US officials are now tireless advocates of a strong dollar. By contrast, Zurich, Tokyo and Frankfurt are systematically engaged in devaluing their currencies. This is an extraordinary inversion of the past 20 years. But it is hardly surprising; exchange rate movements are, in the long run, barometers of economic performance. And while the US has enjoyed sustained non-inflationary growth, and admirable job creation to boot, Germany has seen unemployment rise to over 4m, Switzerland has endured six years of no growth, and Japan is struggling to avoid deflationary collapse.

In the abort term, reversals are possibls, even likely. The dollar could not survive a collapsing stock market unscathed, nor a concerted policy initiative to arrest its appreciation. There are also long-term imponderables: the dollar's reserve currency status may be diminishing, though this could be offset by falling savings rates in Europe and Japan; or by US pre-eminence in growth industries.

Whatever the answers, we are in a new phase. The certainties of the floating-rate era have dissolved and the dollar is revived. Of course, to be sure that the dollar's recovery is durable, it will need to show relative strength whan the economic cycle turns. But given that Japan and Europe look likely to have a combination of fiscal rigour and monetary ease – a recipe for weak currencies – for a few years yet, a change does not appear closs at hand.

Index-linked bonds

Last week's introduction of inflation-linked bonds by the US Treasury was a great success as investors snapped up the $7bn issue. But America's first foray into index-linked bonds also poses two apparent puzzles – one on the convergence of real interest rates and one on the relationship between US bonds and equities.

According to academic theory, there should be a single global real interest rate once inflation and currency risks are stripped out. Since inflation and currency depreciation ought to balance out over the long term, index-linked yields should in theory be the same the world over. In practics, however, this is far from the truth. The new US bonds closed the week with a yield of 3.3 per cent. But index-linked gilts yield around 3.6 per cent; in Canada it is 4.2 per cent; while Australia, New Zealand and Sweden all hover around 5 per cent. Part of the gap can be explained by the lack of liquidity in the smaller markets. But these are still big differentials. And it is hard to see why the UK, with over £40bn in issued index-linked stock, should see its bonds trading at a premium of 30 basis points to a single $7bn Treasury issue.

It is also worth comparing index-linked yields to equity yields. In the UK, the real gilt yield has generally served as a floor for the yield on the FT All-Share index, which is currently also 3.6 per cent. In the US, by contrast, the S&P dividend yield is only 1.7 per cent. Even adding in share buy-backs, which are more common in the US, does not bring the yield anywhere near the 3.3 per cent on the new index-linked Treasuries. By this benchmark, as by so many others, US equities look overvalued.

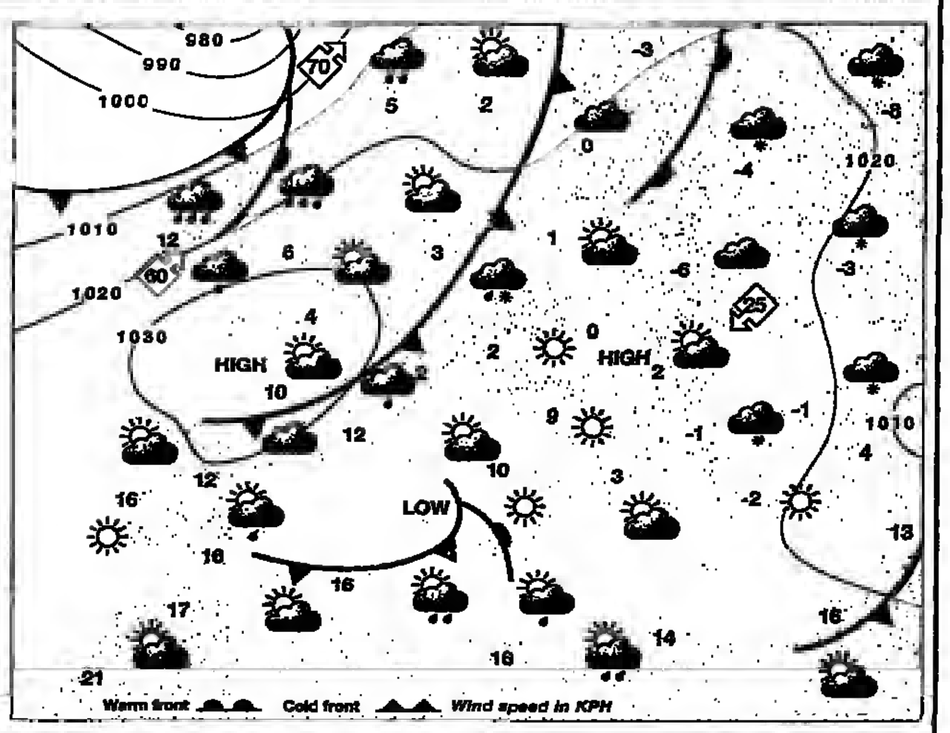
FT WEATHER GUIDE

Europe today

A frontal zone will cause cloud, rain and sleet from eastern Germany to southern France. North of the front, it will be mainly dry, sxcept for Great Britain where s new disturbance from the Atlantic will produce heavy rain in the north. *The south will be overcast.* Spain and Italy will be mainly dry with sunny periods. The southern Mediterranean will be mostly dry, though Tunisia and northern Libya will have soms showers. The Balkans will be sunny. Greece will have some cloud. Southern Turkey will be sunny, but ths north will have snow. Snow will also occur across the Ukraine and in Russia.

Five-day forecast

More disturbances will affect northern Europe during the course of the week. The British Isles and western Scandinavia will have the most rain, but north-western Europe will see some too.



TODAY'S TEMPERATURES

Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

	Maximum	Beijing	fair -1	Caracas	fair 31	Faro	sun 17	Madrid	fair 12	Rangoon	sun 32
	Celsius	Belfast	rain 9	Cardiff	cloudy 7	Frankfurt	cloudy 4	Majorca	shower 15	Reykjavik	snow -5
Abu Dhabi	fair 26	Belgrade	sun 3	Casablanca	cloudy 19	Geneva	rain 5	Malta	shower 15	Rio	cloudy 27
Accra	shower 32	Berlin	rain 3	Chicago	cloudy 1	Gibraltar	fair 18	Manchester	cloudy 7	Rome	fair 12
Algiers	cloudy 18	Bermuda	sun 22	Cologne	fair 5	Glasgow	rain 10	Manila	cloudy 32	S. Frsco	fair 14
Amsterdam	fair 5	Bogota	cloudy 28	Dakar	fair 34	Hamburg	fair 5	Melbourne	fair 30	Seoul	fair 3
Athens	fair 7	Bombay	sun 29	Dallas	fair 25	Helsinki	snow 0	Mexico City	fair 22	Singapore	shower 32
Atlanta	shower 20	Brussels	fair 4	Delhi	sun 23	Hong Kong	rain 18	Miami	fair 28	Stockholm	fair 2
B. Aires	fair 32	Budapest	sun 0	Dubai	fair 25	Honolulu	fair 26	Milan	fair 5	Strasbourg	rain 4
B.ham	cloudy 6	C.hagen	fair 4	Dublin	rain 10	Istanbul	snow 2	Montreal	snow -4	Sydney	fair 24
Bangkok	fair 32	Cairo	fair 17	Dubrovnik	sun 8	Jakarta	shower 30	Moscow	cloudy -4	Tangier	cloudy 17
Barcelona	fair 13	Cape Town	fair 23	Edinburgh	rain 9	Jersey	fair 3	Munich	sleet 3	Tel Aviv	shower 14
						Karachi	sun 25	Nairobi	thund 32	Tokyo	cloudy 8
						Kuwait	cloudy 15	Naples	sun 10	Toronto	sun -1
						L. Angeles	sun 20	Nassau	sun 25	Vancouver	rain 4
						Las Palmas	fair 21	New York	cloudy 8	Venice	fair 8
						Lima	fair 27	Nice	fair 12	Vienna	sun 0
						Lisbon	sun 17	Nicosia	sun 11	Warsaw	cloudy 2
						London	cloudy 7	Oslo	fair 0	Washington	cloudy 12
						Lux.bourg	cloudy 3	Paris	fair 4	Wellington	rain 17
						Lyon	rain 2	Perth	cloudy 34	Winnipeg	snow -6
						Madeira	shower 19	Prague	cloudy -2	Zurich	rain 2

FINANCIAL TIMES
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Chicago exchange rethinks Liffe link

By Laurie Morse in Chicago

The Chicago Board of Trade, the world's busiest futures exchange, is reconsidering its partnership with the London International Financial Futures and Options Exchange, due to start on May 9.

"We are under a lot of pressure from electronic traders to revisit the Liffe link," said Mr Patrick Arbor, chairman of the CBOT.

The link offers Liffe exclusive rights to trade the CBOT's flagship US Treasury bond futures contract when the Chicago trading floor is closed. It would also allow dealing in Liffe's bund futures on the CBOT's trading floor after London hours.

But some Chicago traders want the CBOT's electronic trading system, known as Project A, to trade at the same time as Liffe's US Treasury bond futures session. It could compete strongly for business with Liffe, pitting open outcry traders against computer traders.

CBOT members are asking why Chicago contracts should shift each night to London's trading floor, when Project A reaches the same customers at lower costs.

The current agreement between the CBOT and Liffe requires computer trading to be scaled back and then closed as the floor session develops.

Mr Arbor said he had had informal talks with Mr Jack Wigglesworth, Liffe's chairman, and Mr Daniel Hodson, Liffe's chief executive. He expects soon to make a formal proposal to Liffe to alter the linkage agreement.

Mr Wigglesworth said he could not comment, as no proposal had yet been made. But he said Liffe was "always open to friendly discussions with the CBOT".

Chicago traders are keen to keep Project A trading as long as possible each day because profits from it go directly into a corporation that pays dividends to members, while fees from floor trading go into general exchange coffers.

Project A did not exist when the CBOT and Liffe signed a joint venture contract in 1994. It took off last year as the exchange invested heavily in new software and systems that offered access to far more companies and individual traders.

Its trading volume quadrupled in 1996 and now averages 17,000 contracts a night. The number of terminals in use has doubled and 50 well-capitalised independent traders have signed on to the system, along with 62 brokerage houses.

By comparison, Liffe says it needs daily turnover of only 3,000 contracts to judge the joint venture a success.

Liffe has long viewed the partnership with the CBOT as a means of boosting business at home and abroad at a time when European Monetary Union challenges its existing base of interest rate derivatives.

Last week, France's Matif exchange said it would pull out of Globex, the electronic system run by the Chicago Mercantile Exchange and Reuters, casting doubts over the future of the trading system.

Bancomer income falls after accounting changes

By Daniel Dombey in Mexico City

The adoption of US accounting standards contributed to a 59 per cent drop in 1996 net income of Bancomer, Mexico's second-largest bank, to 170m pesos ($21.8m).

Under the Generally Accepted Accounting Principles, Bancomer increased past due loans from 9.4bn pesos to 22.2bn pesos, 18 per cent of its loan portfolio. Under the previous guidelines, these would have risen to 10.7bn pesos.

The figures do not include a further 12.3bn pesos in past due mortgage loans recently sold to the government by the bank. Over the past two years, Bancomer has sold $3bn of poor quality loans to the government, roughly the same proportion of its portfolio as other banks.

Bancomer has also increased its loan loss provisions. At the end of 1996, provisions stood at 57.5 per cent of the past due loans still on Bancomer's books, compared with an official minimum of 45 per cent.

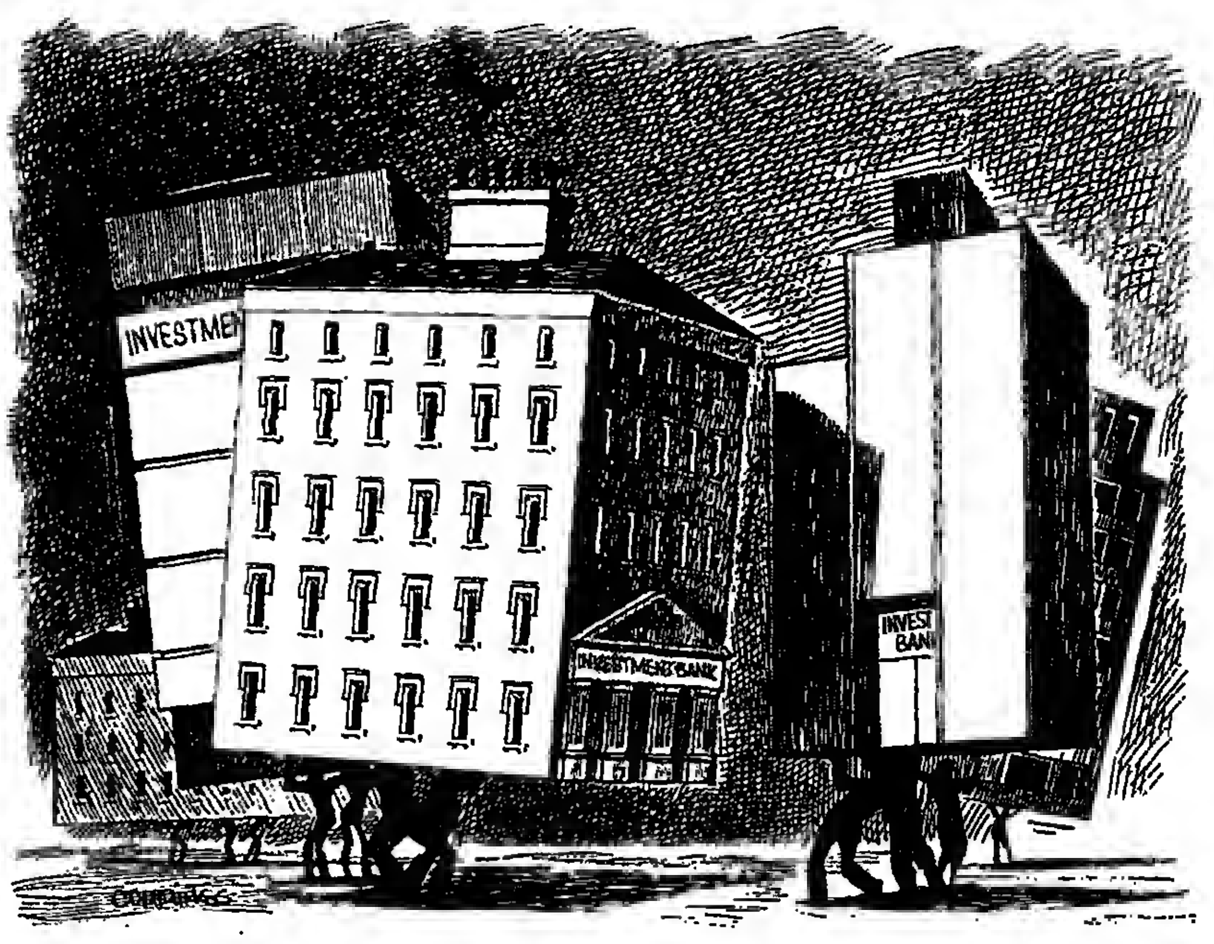
"If they had not taken provisions from capital but marked it down as a loss, it would have put them into the red," said Ms Laura Berdeja, an analyst at Santander Investment in Mexico City. "These banks knew that the market was demanding reserve coverage higher than the statutory minimum. Now we are seeing their asset quality under much more realistic guidelines."

Continuing difficulties with loans and Mexico's weak economy left Bancomer unwilling to expand credit in 1996. The net interest margin fell to 6.13 per cent for the fourth quarter, compared with 6.83 per cent for the third quarter and 8 per cent for a year before.

"We continue to see their net interest margin under pressure," said Ms Berdeja. "The only way the situation will improve is for them to try to improve their funding mix and get some more highly yielding loans."

Wall Street's banks fatten up for a fight

Payrolls are expanding but higher costs may spell pain



Flushed with last year's success, many Wall Street investment banks have just one goal – a bigger slice of the action in 1997. Lehman Brothers, Salomon Brothers and Goldman Sachs are just some of those planning to add staff for an onslaught on target areas.

"This is shaping up to be the biggest season ever of musical chairs as firms, loaded with profits from 1996, push to expand and upgrade operations globally," said Mr Scott Page, president of the capital markets group of Solomon-Page, an executive recruitment company.

The logic advanced by individual investment banks is impeccable: a shift into the dominant group of, say, equity underwriters can mean a leap in profits.

However, all these banks, as well as foreign rivals which have been trying to improve their positions in New York, will be adding costs. But no one expects the volume of business to increase much this year.

"Some will succeed, but you will also see over-extension and excess investment," said Mr Jerry Kenney, executive vice-president in charge of corporate strategy at Merrill Lynch. "When people are making a lot of money, it's easy to talk big."

Merrill plans to add about 1,000 staff this year, though mainly outside the US.

Lehman Brothers is targetting areas including junk bonds, syndicated lending and emerging markets. It expects several hundred recruits, according to Mr John Cecil, chief administrative officer, though these will largely replace staff lost in last year's exit from non-core businesses such as oil trading.

Salomon plans to hire about 100 investment bankers, 80 in the US. "We have been very successful in M&A in the areas where we have coverage, but we need to grow our footprint," said Mr Deryk Maughan, chairman and chief executive officer.

Goldman will also add up to 100 staff, in a quest for "greater reach and greater scope" in its core areas, says Mr Jon Corzine, chairman.

While Deutsche Morgan Grenfell North America's big recruiting effort has ebbed slightly, it says it expects to hire 300-400 staff in the US alone this year, about half last year's net total.

But US investment banks are not only fighting off foreign rivals, they also face growing competition from US commercial banks and insurance companies.

While Merrill, Lehman and Goldman are among the US investment banks building up businesses such as syndicated lending, traditionally the domain of the commercial banks, the likes of Chase Manhattan are moving into the securities business.

"I think there is a sense of foreboding about ... who will win out," said Mr Alan Hilliker, a consultant at Egon Zehnder International, an executive search group.

Still, the bull market for jobs rages. Last autumn, employment on Wall Street exceeded 262,000, breaking the record set in 1987, according to the Securities Industry Association.

Even though Wall Street groups are said to have awarded bonuses for 1996 which broadly met high expectations in the hope of ensuring loyalty, executive recruitment consultants say their phones have been even busier than last year.

"People will collect their cheques and extricate themselves in the next three to four weeks," said Mr Page.

These middle and senior-ranking executives do not come cheap. Ms Sallie Krawcheck, an analyst at Sanford C. Bernstein, is concerned that investment banks may be increasing their cost base at what may turn out to be the peak of a bull market.

The banks argue employment costs are flexible. Some 1996 bonuses topped $10m, but they were linked to performance in an exceptional year. Base salaries have been static in recent years.

But many banks nowadays pay guaranteed bonuses. "The one-year guaranteed bonus has become a feature of the [US] market since the foreign banks began to draw talent," said Mr Hilliker, adding that US banks have not given "the three- and four-year guarantees offered by some European banks".

With expensive recruits in place, the danger is that banks will fight tooth and nail for any business going, causing margins to shrink.

"Last year, firms had the camouflage of frothy times and high margins," said Mr Kenney of Merrill. "Our internal forecasts suggest this won't last. We will go into a difficult period either this or next year."

Tracy Corrigan

INSIDE

North

North, one of Australia's three big iron ore suppliers, is to buy 59.3 per cent of Iron Company of Canada, the country's largest iron ore pellet producer, for US$230m from two US steel groups – Bethlehem Steel and National Steel. Page 22

Scottish Amicable

Scottish Amicable, the UK mutual life insurer, is to press ahead with plans to seek the support of its 1.1m policyholders to change its status. This is in spite of pressure from Abbey National, the UK bank, which last week had its offer of £1.1bn-£1.4bn ($1.78bn-$2.26bn) for the mutual insurer rejected. Page 24

PTT Exploration and Production

PTT Exploration and Production, the publicly listed subsidiary of the Petroleum Authority of Thailand, announced a 39 per cent drop in probable and possible petroleum reserves over the past six months. The decline was coupled with a 4 per cent increase in its proven reserves. Page 22

Fund Management

With mutual fund sales established as one of the wonders of the age, attention has shifted to the pattern of cash flows into the industry. The most talked about shift last year saw $9bn flow into the Vanguard S&P 500 Index fund, while $6bn flowed out of the Fidelity Magellan fund. Page 24

Global Investor

Recent academic analysis has shown market anomalies which could, in theory, be profitably exploited. The Paris-based Intertek consultancy has produced techniques, such as neural networks and genetic algorithms, which can be used to predict short term movements. Page 25

Japanese lender struggles for survival

Apollo Leasing faces collapse as main backer rejects rescue plan over $4bn debt

By William Dawkins in Kyoto

Apollo Leasing, a Japanese non-bank lending institution with debts of Y489.7bn ($4bn) was yesterday struggling for survival after its main backer, Sakura Bank, turned down a rescue plan.

If Apollo filed for bankruptcy, it would be the eighth collapse of a non-bank – a lender without a license to take deposits from the public – since the start of last year. It could trigger a chain reaction of failures among the many small financial institutions that have lent to Apollo and, as a reminder of the exposure of Japan's leading banks to such institutions, would reinforce the recent collapse in banks' share prices.

Apollo's demise became likely on Saturday after Sakura Bank, a leading commercial bank which at the end of June was owed Y82.7bn by Apollo, refused the non-bank's proposal that creditors should write off 50 per cent of their loans. Apollo was to try to repay the rest with revenues from its remaining Y50bn of performing loans. Bank officials dismissed the scheme as "unrealistic" and overly optimistic, and cut Apollo's credit lines on Friday.

This is the latest case of a big bank lender walking away from a non-bank partner rather than bailing it out. It follows last autumn's voluntary liquidation of Nichiei Finance, which became the largest financial collapse since the second world war, with debts of more than Y991bn, after its main banks refused to continue shouldering the risk.

It is further evidence of a tougher attitude by commercial banks towards the hundreds of non-banks still burdened by bad debts from the late-1980s bubble in property prices.

Apollo's plight follows a common pattern, stemming from the more than 50 per cent fall in property prices since the beginning of the decade. Established in 1972 as an office equipment and machine tool rental company, it diversified into lending to golf course and property developers in the 1980s. By the fiscal year to the end of March, its liabilities exceeded assets by Y45.6bn.

Sakura is understood to have written off most of its loans to Apollo, as has Nippon Credit Bank, another leading lender. Another 112 creditor institutions are exposed to Apollo, including regional banks and agricultural co-operatives.

STATISTICS

COMPANIES IN THIS ISSUE

Malaysian bank mergers called off in policy blow

By Lei Chen in Kuala Lumpur and James Kynge in Singapore

Talks on two separate Malaysian banking mergers have been called off, damaging the central bank's policy of encouraging consolidation in the financial sector to prepare for increased foreign competition.

Malaysian Industrial Development Finance (MIDF), a financial group, said that it no longer intended to sell its 51 per cent stake in Oriental Bank to Sime Darby, which is the country's largest conglomerate.

Sime had planned to merge Oriental with Sime Bank, which late last year changed its name from United Malayan Banking.

The ending of talks is a setback for Sime, which had hoped to boost its earnings and expand overseas. Oriental, a medium-sized bank, would have increased Sime Bank's network of branches by 41, thereby brightening prospects in a domestic market where a bank's geographical reach is still crucial to earnings.

The other cancelled merger talks were between Pacific Bank, which is also a medium-sized bank, and the Malaysian operations of Singapore's Oversea-Chinese Banking Corporation (OCBC).

The negotiations were hailed as the first in an expected series of Malaysian banking mergers when they were announced last May.

Malaysia's central bank has put pressure on an over-crowded banking sector to consolidate in preparation for regional liberalisation, expected in the next decade.

So far, its only success has been a complex union between Rashid Hussain, a diversified brokerage house, its banking affiliate, DCB Bank, and Kwong Yik Bank, a subsidiary of Malaysia's biggest banking group, Maybank.

Banking industry sources said that the OCBC-Pacific Bank merger foundered over the price for OCBC and its subsidiary, The Great Eastern Life Insurance Co.

However, Pacific Bank said in a statement that discussions on buying the insurance company would continue.

Bankers said that wide spreads between borrowing and lending rates in a booming economy, as well as the prestige accorded to those who own a bank, were two of the main reasons why local banks were resisting the government's call to merge.

Thai oil group reduces estimate of reserves

By Ted Bardacke in Bangkok

PTT Exploration and Prodnctlon, the publicly listed subsidiary of the state-owned Petroleum Authority of Thailand, announced a 39 per cent drop in probable and possible petroleum reserves over the past six months.

The decline, to 527.7m barrels of oil equivalent from the 870.4m boe recorded by the company at the end of June 1996, was coupled with a 4 per cent increase in its proven reserves to 502m boe from 484.1m boe in June 1996.

The sharp fall in probable and possible reserves is likely to spur a sell-off in PTTEP shares, analysts said.

The company, which has announced befty reserve increases over the past two years, was one of the few equities listed on the Thai stock market to have risen in value during 1996, while the overall Thai market fell more than 30 per cent.

The company attributad the fall to a conversion of some probable and possible reserves to proven reserves; and to a re-evaluation of the geological structures of the Bongkok project, in which PTTEP holds a 40 per cent stake.

PTTEP said its portion of probable and poasible reserves at Bongkok at the end of 1996 was 19.6m barrels of condensate and 1,300bn cubic feet of natural gas, down from 48.5m barrels and 2,630bn cu feet respectively at the end of June 1996.

The company'a portion of proven reserves at Bongkok also feli to 14.2m barrels of crude, down from 21.1m barrels six months ago, and 992.1bn cu feet of natural gas, down from 1,140bn cu feet in June 1996.

Cumulative production by PTTEP at Bongkok increased to 2.5m barrels of crude and 123.9bn cu feet of natural gas.

The company noted that its latest reserves report does not include the positive drilling results of Muda-2 and Muda-3 projects in the Thai-Malaysian joint development area, which were obtained earlier this month: nor tbe reaervas that are likely to ba added to PTTEP's figures as a result of its agreement to take a 14 per cent ataka in Burma'a Yetagun natural gas project in a venture with Texaco of the US, Nippon Oil of Japan, and Premier of the UK.

The Yetagun field, located in the Andaman Sea, is estimated to contain between 1,100bn and 1,400bn cu feet of proven natural gaa reserves and an undisclosed amount of possible and probabla reserves.

Falling metals drag MIM into first-half loss

By Nikki Tait in Sydney

MIM Holdings, tbe Queensland-based mining group, revealed on Friday thet it fallen into tbe red, making an A$12m (US$9.2m) loss after tax and abnormal items in the six months to end-December.

The result compared with an A$58.9m profit in the same period of 1995. Revenues were A$1.12bn, down from A$1.34bn last time.

MIM again took large write-downs and provisions, totalling A$150.9m, as an abnormal charge. Among the more significant ltems were an A$58m write-down of its obsolete assets at the Hilton mine; and an A$63.4m write-down of all capitalised pre-production costs at the loss-making McArthur River zinc-lead-silver mine.

Against these, it was able to off-set the profit on the sale of its oil and gas assets, and an A$127.3m write-back of a deferred tax provision. This related to the Newlands coal project and was no longer required. The net abnormal charge was therefore A$2.2m.

At tbe operating level, MIM made a tiny A$2.6m profit, down from A$53.1m a year earlier. It blamed lower metal prices – notably copper and zinc – and the stronger Australian dollar.

Its core Mount Isa operations turned in an A$1.3m operating loss, down from an A$115.6m profit last time. MIM said price and exchange rate changes had had an "adverse profit effect" of A$166m.

It remained cautious on the second half, saying metal prices and tbe currency would continue to vary, and it needed to pursue lower production costs. But Mr Nlck Stump, chief executive, offered some encouragament, saying: "With current copper prices and other movements in the market we are in a stronger position in the second half than we were in the first half." However, the company also had to antlcipate further strengthening of the exchange rate.

● Highlands Gold, the Australian mining company has revealed details of the restructuring deal thet will create a new resources company, Highlands Pacific. The new company will acquire all the assets and liabilities of Highlands Gold, other than its 25 per cent stake in the large Porgera gold mine in Papua New Guinea.

The deal has been worked with Placer Dome, the Canadian gold miner. Placer is offering 75 Australian cents a ahare for Highlands Gold, but is only interested in the Porgera stake.

Higblands Pacific intends to raise A$190m to fund the acquisition of the remaining assets – principally two potential mine projects in Papua New Guinea (PNG) – through an issue of 190m shares at A$1 each.

Existing Highlands shareholders that accept the Placer offer will be entitled to around 60 per cent of the Highlands Pacific shares on the basis of three new shares for each 10 Highlands Gold shares held.

The Highlands Pacific issua is to be jointly underwritten by Merrill Lynch and Wilson HTM Corporate Services.

A consortium of investors based in Papua New Guinea have pledged to invest up to A$110m. They are likely to end up with over half the Highlands Pacific equity.

North buys into Canadian group

By Nikki Tait

North, one of Australia's three big iron ore suppliers, is to buy 59.3 per cent of Iron Company of Canada, the country'a largest iron ore pellet producer, for US$230m.

Tbe aeliers are two US steel groups – Bethlehem Steel, which holds 37.6 per cent of ICOC, and National Steel, which bolds 21.7 per cent. Under the deal, which is subject to government and regulatory approvals, Bethlehem will recelve US$145m and National about US$85m.

Mr Campbell Anderson, North's managing director, said on Friday the acquisition reflected North's desire to become a global figure in the iron ore industry and to diversify its interests. These are presently concentrated in Western Australia's Pilbara region and supply mainly Asia. ICOC's largest markets are in North America and Europe.

ICOC produces a higher grade product more suitabla for the growing technology in electric arc steelmaking. Its current output comes from a mine, concentrator and pellet plant in Labrador.

In 1995, production was around 10m tonnes of blast furnace pellets and 5m tonnes of concentrates. ICOC also owns a pellet plant in Sept-Iles, which North bopes to reactivate.

North said there was scope for productivity gains from the existing operations, and that it anticipated a "considerable" reduction in ICOC's 2,400-strong workforce.

In 1995, ICOC's revenues were US$407.7m and net profits US$31.2m.

Naws of the deal came as North reported a 55 per cent increase in profits, after tax and abnormal items, in the six months to end-December, of A$50m (U$38.5m). Sales were 18 per cent higher at A$563.8m. Profits before tax and abnormals increased 29 per cent to A$108.1m.

The gain came largely from higher contributions from the company'a iron ore and uranium interests; and from the Northparkes copper-gold mine, which contributed a A$11.4m profit, compared with a A$1.3m loss a year earlier.

The recently acquired Zinkgruvan operation in Sweden made a pre-interest loss of A$0.9m, although North said prospects were looking better.

Mr Anderson said the second balf sbould see "improved contributions from most of the operations", but that North expected a full-year result "not significantly different" from last time's A$111.9m.

North sbares closed 2 cents higher at A$3.94, with mosts analysts supportive of the deal's rationale, but less convinced about lts pricing.

● WMC, another Australian mining group, confirmed on Friday that it was interested in the privatisation of Brazil's Companhia Vale do Rio Doce, tbe world's largest iron ore miner. It said it was talking to various parties about possible consortium arrangements.

Dazhong Taxi takes diversion

The challenge for international investors in China is finding tbe vehicle that will barness the country's staggering economic growth but will steer clear of the potholes in the market.

Until recentiy, Sbanghai Dazhong Taxi seemed just such a stock.

The company, which operates the second-largest fleet of taxis in Shanghai, was a popular proxy for the annual 13 per cent GDP growth and surging disposable income in China's largest city.

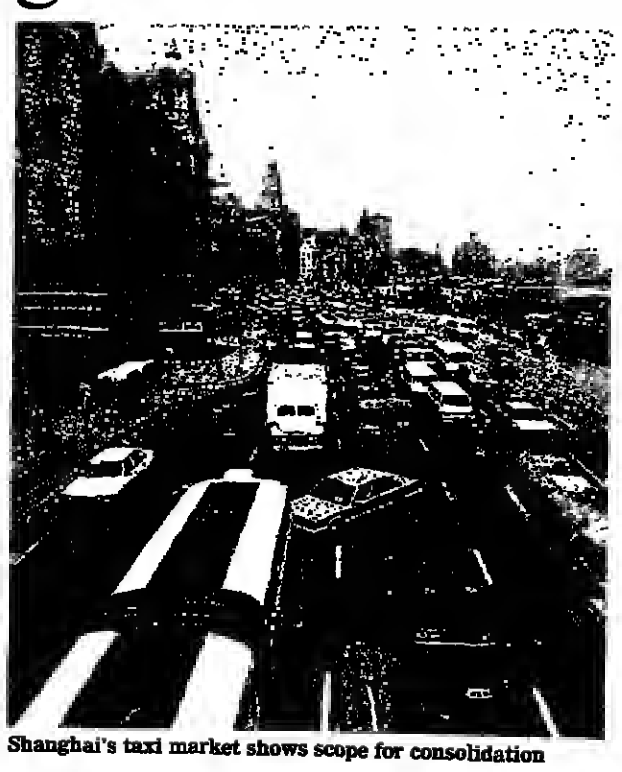
Mr John Crossman, general manager of Jardine Fleming, the securities bouse, explains: "As little as three years ago, it was only foreigners that took taxis. For locals, getting in a taxi was a special event.

"Today, you see Shanghainese jumping in and out of taxis. So Dazhong has been a very good bet on the rising per capita income in Shanghai," he says.

Now, Dazhong Taxi is expanding into property development, tourism and financial services.

A company representative said: "in five years, Dazhong Taxi will be a conglomerate, with transport at its core, but including otber pillar industries: tourism and commercial trading, finance and insurance and real estate."

The company, whicb is listed on the Shanghai stock market, this montb gave first estimates of net profits at Yn110m ($13.3m) in 1996, up from Yn100.8m in 1995. These bave been driven by its core taxi business.



Shanghai's taxi market shows scope for consolidation

However, Dazbong's long-term strategy is to scale down the taxi operation as a percentage of revenues and build up the other arms of the business.

In March, Dazhong Mansions will open in west Sbangbai, offering office space for renting, a hotel, restaurants, a bowling alley and other facilities to ba managed by Dazhong Taxi.

This year, Dazhong also plans to expand its tourism operation, running an air ticketing service to capitalise on tha growing market for overseas travel.

Dazhong has had a successful record in the non-life insurance business since 1995, and ls looking to expand into lifa insurance in a joint venture with a foreign partner, if it wins approval from the central government this year.

The diversification poses naw questions for foreign investors.

One analyst said he is instinctively uneasy about "the socialist predilection for increasing fixed assets". He judges property "a risky bet in Shangbai, where the market looks basically flat".

Navertheless, brokers are hesitating to sell the stock. They are choosing to wait and see on a company with a good management record. They say it has little choice bnt to expand outside its taxi husiness.

Last year, Sbanghai's municipal government responded to chronic traffic problems by banning the issue of new taxi licences – a move that encouraged diversification and meant Dazhong's taxi fleet can only grow through acquisition.

In Shanghai'a fragmented taxi market – there are more than 500 companies operating a total of 37,000 taxis – there is certainly scope for consolidation.

Dazhong plans to buy up other cars and licences, increasing its number of taxis from 1,800 at the end of 1996 to 2,100 by the end of this year.

It also aims to boost revenue by increasing the number of cars using the more expensive two-drivers,one-car licence.

In addition, it plans to establish a passenger bus route between Shanghai and Nanjing, the old capital, 300km west of Shanghai.

Dazhong is fundamentally broadening its interests.

"The company has had no choice but to grow outside the mainline taxi business," says Mr Bruce Richardson, head of stockbrokers HG Asia in Shanghai.

"The question is whether Dazhong can manage its diversification."

James Harding

NEWS DIGEST

Générale des Eaux linked with Havas

Speculation was mounting in Paris yesterday that Compagnie Générale des Eaux, the diversified utilities group, might be poised to become tha largest shareholder in Havas in a complex deal that would also see the French media company substantially increase its holding in pay TV group Canal Plus.

According to a report in Le Figaro newspaper, Générale des Eaux may move its current 20.4 per cent stake in Canal Plus to Havas; taking that group'a interest in the pay TV company to more than 43 per cent. Générale des Eaux would be compensated through a reserved capital increase. In addition, the utilities group would acquire part of the more than 20 per cent interest in Havas held by Alcatel Alsthom, the telecoms and engineering group.

As a result, the paper said, Générala des Eaux could end up with between 20 and 30 per cent of Havas, valued – at Friday night'a FFr405.50 closing price for Havas ahares – at between FFr5.2bn ($941m) and FFr7.8bn. None of those involved would comment yesterday.

David Owen, Paris

Pacific Gas expands in Texas

Pacific Gas & Electric, the biggest US utility, is to buy Valero Energy, a natural gas transmission company in Texas, in an all-share deal valuing Valero at $722.5m. The deal is the latest in a series of mergers in the US utility industry, triggered by the deregulation of the energy market. Valero, based in San Antonio, operates one petroleum refinery and an 8,000-mile network of gas transmissioo and gathering lines throughout Texas. It said last year it was seeking a strategic alliance for its gas services business because it did not want to be left alone in an industry dominated by more powerful competitors.

Valero shareholders will receive 0.63 PG&E shares for each Valero share, based on PG&E's closing price of $22.75 on January 30, and one share in Valero's refining company, which will be spun off prior to the merger and listed in New York. *Richard Tomkins, New York*

Estonia 'will not devalue'

The Bank of Estonia has strongly denied reports that Estonia would devalue its currency, the kroon, if talks between neighbouring Lithuania and the International Monetary Fund result in the abolition of the Baltic country's currency board. Speculation that Lithuania will shortly abandon its 30-month-old currency board has been mounting since the general election last November when the winning parties pledged to stem the rising trade deficit by scrapping the currency board.

Edward Luce, London

Earnings tumble at Gillette

Gillette, the US maker of razors and toiletries, saw earnings tumble in the fourth quarter because of costs associated with its $7bn acquisition of Duracell, the US battery company. But excluding these costs, net profits would have risen by 13 per cent, the company said.

Underlying net profits rose from $351.2m, or 64 cents a share, to $397.2m, or 72 cents a share. But the after-tax costs incurred in buying Duracell amounted to $283m, reducing net income to $114.2m. For the full year, underlying profits rose from $1.06bn to $1.23bn. The figures include Duracell's results for both periods.

Richard Tomkins

L'Oréal lifts sales 13%

L'Oréal, the French cosmetics giant which last year displaced Elf Aquitaine, the oil group, as the largest French company in terms of market capitalisation, has reported a 13 per cent advance in annual sales to FFr60.34bn ($10.92bn). The group said early estimates of 1996 profits were in line with trends outlined last October. It said then that 1996 net profits, before capital gains and losses, but after minority interests, "should advance more strongly than in 1995". Net earnings in 1995 rose 8.3 per cent to FFr3.4bn. *David Owen*

Metallgesellschaft settles

Metallgesellschaft, the German industrial and trading company that almost collapsed in 1994, has reached an out-of-court settlement with its former chairman, Mr Heinz Schimmelbusch. The company will pay him DM1.5m ($92m) and meet future pension entitlements of DM330,000 a year. The company was suing Mr Schimmelbusch for DM25m for alleged neglect of duty over US oil futures losses that almost bankrupted it. The former chairman was suing Metallgesellschaft and Deutsche Bank (which led the rescne operation) for $10m for defamation. *Sarah Althaus, Frankfurt*

Eagle Star to set up garage

By Christopher Adams, Insurance Correspondent

Eagle Star, the insurance snbsidiary of BAT Industries, the tobacco and financial services group, is to diversify into motor repairs by setting up its own garage in the West Midlands of the UK.

If successful, the garage will belp control claims handling costs for Eagle Star, which has one of the biggest direct writing operations in the motor insurance market. The company will continue to use a network of eutborised garages to service nearly 1m personal motor account policyholders.

"We're running a pilot to make sure we meet customer needs and control costs," said Mr Chris Dore, personal claims manager. He declined to say if the company planned more garages.

Motor insurance hae become increasingly competitive since Direct Line, owned by the Royal Bank of Scotland, set up in 1985 the first operation to sell insurance over the telephone.

New entrants have flooded in following its example and rates have tumbled. Direct insurere bave typically offered insurance on cheaper terms than companies selling through intermediaries like brokers, whose market share has fallen.

To cope with the impact on profitability, motor insurers are seeking ways in which they can reduce costs or add new earnings streams. Some already sell household and travel insurance and a few are considering pet insurance.

Israeli group to make London debut

By Paul Adams

Technoplast, the plastic mouldinga gronp, will become the first Israeli company with a full London listing wben it comes to the market in mid-February through a placing worth up to £12m ($19.4m).

The flotation will make Technoplast the first Israeli stock quoted both on Nasdaq in New York and in London.

The group came to the Tel Aviv market in 1993, but said tbe Israeli capital market was so illiquid that it was difficult to raise funds there and its shares, with a market value of about £21m, were under-valued.

Sales have trebled in the past five years to an estimated £11.5m in 1996, and operating profit has risen from nil in 1992 to £1.3m for the first nine months of 1996.

Technoplast eupplies half its output to ZAG Industries, the fast-growing Israeli design and marketing group which has seen its shares rise 80 per cent since its Nasdaq float in November.

New shares will be issued on a p/e ratio of 12, based on prospectivs 1996 figures to be published in March, and will take Technoplast's market capitalisation to more than £35m.

Some 62 per cent of existing shares are owned by the family of Mr Itamar Patishi, chief executive, 16 per cent by the public and the rest by three investment funds.

Henderson Crosthwaite is sponsoring the issue, which is being underwritten by Guinness Mahon. Technoplast's financial adviser in Israel is Poalim Capital Markets and Investments.

Scottish Amicable to press ahead with plans

By Edward Luce and Christopher Brown-Humes

Scottisb Amicable, the UK mutual life insurer, yesterday said it would press ahead with plans to seek the support of its 1.1m policyholders to change its status in spite of pressure from Abbey National, the UK bank, for it to withdraw the proposal.

Abbey National is expected to trigger a bidding war for the mutual insurer after its offer of £1.1bn-£1.4bn ($2.26bn) was last week rejected by directors of Scottish Amicable.

In order for its plans to go through, Scottish Amicable would require 75 per cent of policyholders choosing to vote for its proposal.

If snccessful, Abbey National'a bid would derail Scottish Amicable's plans to shed its mutual status ahead of a £1bn-£1.5bn flotation in three to five years.

"Surely the directors of Scottish Amicahle should stop the clock and let the best offer win," said Ms Jane Ageros, director of corporate affairs at Abbey National, yesterday. "We think it would be unfair to their policyholders to send out the document before they are in possession of full information."

Scottisb Amicable has ettracted criticism for offering a windfall of just £75m to its shareholders compared to Abbey National'e offer of an immediate casb pay-ont of £400m. Abbey National yesterday confirmed that the £400m was only a "minimum offer" which could be raised once it gets sccess to the full financial details.

Scottish Amicable denied yesterday that the group was resigned to losing its independence or that it bad placed an unofficial reserve price on itself ahead of an auction. But Union Banque Suisse last week calculated that a successful bidder would need to pay between £1.5bn and £3bn.

A group adviser said "the decision is to press on and get our circular out to policyholders at the end of this week. Ours is the only firm proposal on the table. We believe policyholders will focus on what is at stake in the long-term rather than what is on offer today."

Scottish Amicable'e decision to push on with the directors' plan comes amid growing speculation that other potential bidders will throw their hat into the ring, possibly this week.

Halifax, the UK building society, which, is thought to be interested in bidding, would not comment on its intentions.

Other companies believed to be interested in Scottish Amicable are National Westminster Bank, Prudential and Commercial Union, the UK insurers, and Fortis and Aegon, the Dutch insurance groups.

Scotia to hive off its nutritional products side

By Clive Cookson and Daniel Green

Scotia, the oldest UK biotechnology company, is hiving off its Efamol nutritional products business into a separate company within the group.

In a related move, it is setting up a US subsidiary, Efamol Nutraceuticals.

Altbougb there are no immediate plans to sell off all or part of Efamol, tbe restructuring is bound to increase speculation about sucb a move in the longer term.

Scotia, which is one of the biggest UK biotech companies, will have a net "cash burn" of about £24m ($38.9m) this year, through spending oo research, development, sales and administration.

With cash reserves little more than £30m, according to securities house Dresdner Kleinwort Benson, the company is likely to want to raise money by the end of 1997 through asset sales, a righta issue or large licensing deals.

Efamol was the original heart of the Scotia group founded 20 years ago by Dr David Horrobin, who is now chief executive. He used cash flow from sales of Efamol evening primrose oil to fund research and development of prescription drugs, several of which are now on the market or in clinical trials.

But during the mid-1990s eales of Efamol products declined, as Scotia's management focused on the drugs business, and competitors, such as Roche of Switzerland and Merck of Germany's Seven Seas subsidiary, moved into nntritional oils.

The most recent Scotla accounts show a fall in nutritional sales from £4.4m to £3.8m in the six months to June 30 1996.

Mr Michael Barher, who joined Scotia in October 1995 as managing director of the Efamol business, says the "downward spiral" has been reversed and nutritional sales are now increasing.

The company is particularly excited by the prospects for Efalex, a patented blend of tuna oil, evening primrose oil, thyme oil and vitamin E, launched last year "to help maintain brain and eye function".

Mr Barber says Efalex will spearhead the new business in the US, where it has already aroused a lot of interest. The business plan includes direct marketing to US consumers and health professionals for the first time.

Under the restructuring, the Efamol company based in Guildford will be responsible for operations such as production, with which Scotia has previously dealt.

Scotia may find it difficult to answer its cash needs through the sale of all or part of the Nutraceuticals side. The business is likely to take some time to restore to the kind of condition that commands a good price.

Shift in fortunes sparks bid chatter

John Authers analyses US mutual fund flows

Everyone already knew that the US mutual fund industry pulled in more money than ever last year. This week it was confirmed that it took in $324.9bn in net new cash flow (new inveatments minus redemptions).

But with mutual fund sales established as one of the wonders of tbe age, attention has shifted to the pattern of cash flows into the industry, and attempts to gauge which companies attracted the most money. Many now seem attractive acquisition targets.

The most talked about shift in fortunes last year saw almost $9bn flow into the Vanguard S&P 500 Index fund, which attempts merely to matcb the performance of the index, while almost $6bn flowed out of tbe Fidelity Magellan fnnd, which remained the largest overall.

Magellan's difficulties were the prime reason for Fidelity's overall sales falling behind those of Vanguard, although much of the money leaving Magellan went to other Fidelity funds.

Away from the giants, the fastest growth was recorded by PBHG whicb held $2.9bn in assets under management at the beginning of the year. It attracted $6.6bn during 1996, making it by far the fastest growing manager, and putting its sales, although not its total assets, in the industry top 10.

The company attribnted this performance almost entirely to the high ratings it received in performance rankings. A report in mid-year by Lipper Analytical Services ranked PBHG's fund first over both five and 10 years. It also benefited from a decision to upgrade its marketing operation and from investors' strong tendency to direct their funds towards managers who showed strong performance.

They also opted for the relatively high risk asset categories. According to the Investment Company Institute, equity growth and income funds attracted the most new cash last year, with $65.1bn, followed by "aggressive growth" funds ($55.8bn), and equity growth funds ($46.5bn).

Bond funds saw heavy outflows, with $8.94bn flowing out of government bonds, and $4.79bn out of mortgage-backed "Ginnie Mae" bonds. However, high yield or "junk" bonds confirmed the trend towards relatively high risk investments, attracting $12.3bn.

At a corporate level, most of the leaders in mutual fund sales are independent of the largest banks and securities houses, helping to intensify speculation that this year will see more mergers and acquisitions.

FUND MANAGEMENT

The biggest concentrations of assets will be staying where they are. Fidelity, still built on a different scale from any of its competitors with $453bn in assets under management, is privately held. Vanguard, which made the most new sales this year and ranks second overall in assets with $246bn, has s mutual structure, with each fund owning a share of the management company. Putnam Investments, with the second largest sales, ie owned by Marsb & McLennan, the international insurance brokerage, which has little or no incentive to sell.

But managements of smaller mutual fund companies will bave noticed thet last year's huge fund flows will increase the price they can command in ths M&A market. Pricing in any case is contentions, as many managers are not publicly quoted.

According to Mr Bruce Brewington, an analyst with Putnam Lovell & Thornton, a San Francisco investment bank, last year saw a noticeable increase in prices using the main valuation measure, which is proportion of total assets under management.

On this measure, the average price paid for fund companies last year was 2.4 per cent of assets – a distinct rise on the previous year, reflecting the strength of the market. However, Mr Brewington suggests this is a poor measure, which is only used because it is easily calculated, and there is a relative scarcity of information abont management companies. Its most serious flaw is that differant asset classes attract varying management fees and profit margins.

He suggests that fund managers ahould be valued on the earnings or cash flow multiple, with acquisition prices falling within a range of 8 to 10 times earnings.

There are plenty of potential acquirers, both in the US and overseas. Several US commerclal banks now believe that fund management, with its predictable incomes and currently growing profit margins, offers a good ballast for their earnings which is less susceptible to changes in economic conditions than their core lending businesses. In particular, many are attracted by the strong demographic features of the business, which is likely to benefit from the growing number of post-war "baby-boomers" who are now approaching retirement.

Citicorp, now the second largest US bank, heads the field of possible acquirers, with Mr John Reed, chief executive, telling analysts last month that he was considering an acquisition to strengthen the bank's range of retirement savings products.

But the greatest activity may be generated within the industry. There is great scope for consolidation, with almost 6,000 different funds, managed by about 350 different companies.

FINANCIAL TIMES

MARKETS

THIS WEEK

Global Investor / Philip Coggan

Algorithms – this year's model?

The investment community is always looking for an edge, a wonder system for analysing the financial markets which will provide superior returns.

The prohlem has been, of course, that in classical theory, the markets are so efficient that such a search is doomed to failure.

However, wbile efficient market theory certainly can help explain why so many fund managers repeatedly fail to beat the indices, it fails to square with most people's "common sense" view of the world. How, for example, does it cope with hubbles like the Tokyo market in the late 1980s, or with the consistent outperformance of Warren Buffett?

Recent academic analysis, with the help of high-powered computers and high frequency data, has sbown market anomalies whicb could, in theory, be profitably exploited. For example, the distrihution of market movements does not conform to a traditlonal "bell curve" but displays instead "fat taila" – periods of hlgher than normal volatility.

A new book*, written by partners of the Paris-based Intertek consultancy, looks at the progress mada, both in thcory and in practice, towards producing a usable model of the markets. Some of the theoretical foundations of efficioot market theory are being demolished.

For example, efficient market theory requires perfectly informed investors with the same aim of maximising profits. In fact as the authors suggest, market participants are hetero- ratber than homogeneous indlviduals, who do not share the same time horizons, risk profile or motivation. "Market participants do not make perfect all-encompassing evaluations of risk and return, hut act on imperfect knowledge and under constraints."

But while academics seem to have decided the market does contain inefficiencies, they have not developed an all-encompassing theory to explain why asset prices move as they do. Chaos theory may have entered into popular parlance hut the authors report that "most interviewees simply feel that the theory is conceptually too complex to find much appllcation in finance today".

Instead, they have concentrated on producing adaptive techniques, auch as neural networks and genetic algorithms, which can be used to predlct short term movements. These match a generalised model to past data and then constantly sbift it to reflect new information.

Neural networks attempt to mimic the learning processes of the human hrain; genetic algorithms use techniques based on the laws of evolution.

No-one has yet produced the miracle model which will replace George Soros. The authors report that First Quadrant, a California-based group, have found that genetic algorithms improve their performance hy 50 basis points a year, which would be extremely useful if maintained over the looger term.

Modest goals, such as lmproving the performance of the average trader, is probably about as much as can be hoped for from these models in the short term. Most academics point out that "earning excess returns is not easy; the market is qulte efficlent, non-linear relationships are difficult to ascertain and patterns, once discovered, tend to go away."

There are also dangers. The book records that Dr Norman Packard of the Prediction Company, which produces computer-based forecasts for Swiss Bank Corporation, says the main prohlem is not the statistical success of forecasting but the variance of predictions. "In other words, one can certainly make money over time, hut the residual risk that local losses might exceed credit limits is still high."

And Mr Christian Dunis, head of the quantitative research and trading group at Chemical Bank in London, remarks that "unless linked to a sound trading model, it is possible to bave a good forecasting model that loses money".

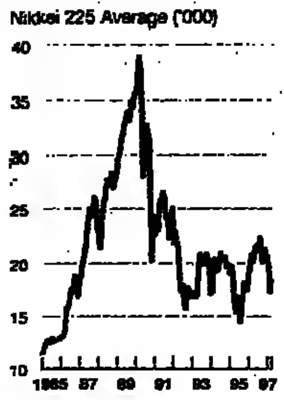
More fundamentally, the swift development of the financial markets may mean that the widespread use of such models alters the nature of the markets themselves. One possihility foreseen by Mr Blake LeBaron, associate professor of economics at the University of Wisconsin, is that forecasting techniques hased on adaptive methods will make markets more efficient, wiping out the last bit of forecastability.

The chances are, however, that the Holy Grail of the perfect model will remain out of reach. Just when investors have solved the riddle, the question itself will change. In a more scientific summary, Mr Suran Goonatilake, researcher at the University College London computer science department, believes that whatever modelling approach is taken, it will be valid only for a limited period of time; machine-learning procedures cannot handle the constant shocks to the system.

* *Modelling the Morket: New Theories and Techniques by Sergio Focardi and Caroline Jonas, published by Frank J Fabozzi Associates of Pennsylvania, 215-598-8930.*

An efficient market?

Nikkei 225 Average ('000)



Source: Datastream

Total return in local currency to 30/01/97

	% change over period					
	US	Japan	Germany	France	Italy	UK
Cash						
Week	0.10	0.01	0.06	0.08	0.14	0.12
Month	0.46	0.04	0.26	0.28	0.62	0.52
Year	5.13	0.72	3.25	4.44	9.44	6.15
Bonds 3-5 year						
Week	0.15	0.17	0.05	0.03	-0.56	-0.18
Month	0.10	0.91	0.81	0.73	0.92	1.05
Year	2.68	5.39	7.07	9.41	19.64	6.56
Bonds 7-10 year						
Week	0.00	0.46	-0.24	-0.21	-0.83	-0.68
Month	-0.49	1.63	0.95	1.34	1.80	0.78
Year	0.40	9.16	7.57	12.35	29.18	7.86
Equities						
Week	0.7	-1.6	-0.3	1.6	-3.4	-1.0
Month	4.2	-8.9	5.1	6.0	17.4	+2.9
Year	27.0	-14.8	24.5	31.3	24.9	+17.5

Source: Cash & Bonds - Lehman Brothers. Equities-© FT/Extel Index Unit. The FT/S&P Actuaries World Indices are jointly owned by FT-SE International Limited, Goldman Sachs & Co., and Standard & Poor's.

COMPANY RESULTS DUE

Compiled By AFX News

Lack of consensus on KLM's third quarter

KLM, the Dutcb Airline, will tomorrow report third quarter results to December. Analysts are forecasting a range from a net loss of Fl 21m to a net profit of Fl 24m ($12.9m) down from profits of Fl 102m a year ago.

Mr Thibaud de Guerre, analyst at ING Barings Research, expects net profit of Fl 12m. Operating profit is likely to fall to Fl 11m (Fl 56m), largely as a result of increases in fuel prices.

Mr Hendrik Jan Boer, analyst at IRIS, is forecasting a third quarter net loss of Fl 21m and an operating loss of Fl 16m. "Not only have fuel costs risen 30 per cent on an annual basis, but there will also be a sharp increase in personnel costs."

At the tima of lts interims, KLM said it expected full-year net income to decrease hy about Fl 150m, excluding any provisions for costs of its Focus 2000 restructuring programme, aimed at reducing costs by Fl 1bn while boosting revenne by Fl 500m in the next three years.

Net profit in the year to March 1996 was Fl 547m.

Mr Henk Broower of Bank Bangert Pontier said that speculation of a possible link between KLM and Swissair may be fueling positive analyst sentiment.

AFX News, Amsterdam.

■ SKF of Sweden, the world's largest manufacturer of roller bearings, is expected to report on Thursday pre-tax profits of between SKr2.22bn and SKr2.51bn ($348m) for 1996, compared with SKr3.33bn in 1995, according to a survey of 21 analysts.

The average market expectation is for profits of SKr2.39bn, according to the survey carried out by SIX Market Estimates. Analysts say the fall is a result of sluggish demand in the European automotive industry and increasing price competition on bearings.

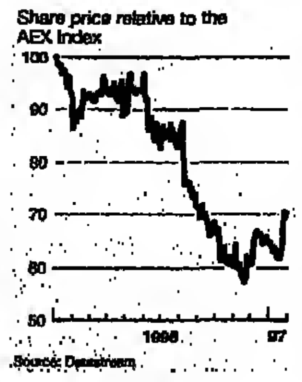
The company warned of price pressure in the third quarter and analysts said aggressive pricing by Japanese producers trying to gain market share in European markets had ensured that that pressure bad continued.

The market will be looking for evidence of a pick-up in European demand and for more details of restructuring measures the company has indicated it will carry out.

AFX News, Stockholm.

KLM

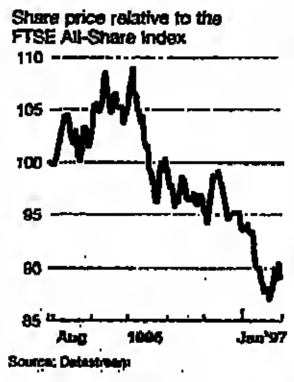
Share price relative to the AEX Index



Source: Datastream

ICI

Share price relative to the FTSE All-Share Index



Source: Datastream

■ Sony Corporation is expected to report on Wednesday pre-tax profits of between Y124.5bn and Y130bn ($1.07bn) for tbe third quarter to December 31, up from Y73.9bn.

Analysts said that along witb the expected strong earnings growth, they will be looking to see whether Sony takes the opportunity to disclose an upward revision to its pre-tax profit forecast of Y220bn for the year to March.

Analysts said Sony was likely to have continued to enjoy firm demand for digital consumer electronics such as camcorders and mini-disc products while lt maintained its competitive advantage over rivals in areas such as lithium-iron batteries and bome video game hardware sales.

In its entertainmeot division, Sony is likely to see a rise in revenue from licensing of television programmes, making up for slow revenue growth of the movies division.

Above all, bowever, it will be the weaker yen that is expected to give profits a strong lift, with Sony's in-house exchange rate set at Y110 for the quarter, down from Y101 a year earlier.

AFX News, Tokyo.

■ Imperial Chemical Industries reports final results on Thursday and investors should find out wbether the shares' long underperformance has been justified. Pre-tax profits, which were £951m for 1995, will do well to rise above £600m for last year. All eyes will be on current tradlng – whether demand bas picked up and whether the prices of raw materials and ICI's prodncts such as polyester film, are rising.

■ British Sky Broadcasting, the satellite television venture, is expected to announce on Wednesday interim pre-tax profits of about £130m, compared with £106.3m. The formation of a joint company with Carlton and Granada to bid for the right to launch digital terrestrial television was announced on Friday. The City is now waiting for further news on digital satellite television plans and on progress in discussions with film studios and foothall clubs ahout pay-per-view television.

■ Pace Micro, the manufacturer of digital satellite television receivers, is expected to announce interim profits tomorrow of more than £10m and pay a malden dividend of 1p.

The group, which has shot to a market value of about £480m since its June flotation, has carried out trials for digital terrestrial television which is expected to provide further impetus to the market for decoders.

INTERNATIONAL EQUITIES By Tom Burns in Madrid

No middle ground for Telefónica

Bookhuilding starts today for the Pta600bn ($4.4bn) issue of 21 per cent of Telefónica that will mark the full privatisation of Spain's telecoms operator. The problem facing the global co-ordinators – Morgan Stanley of the US and Telefónica's three financial partners, Banco Bilbao Vizacaya, Argentaria and La Caixa – is how much can be allocated to international institutions.

This is a complex question because the prospectus includes a caveat that can significantly alter the structure to favour the home market and because Mr Juan Villalonga, Telefonica's chairman, has indicated that this is exactly the sort of weighting he wants.

What is already clear in the final week of the pre-registration period is that the disposal has taken on an unprecedented momentum for domeatic markets, prompting talk that "people's capitalism" has arrived in Spain. More than 1m small Spanish investors bave signalled that they want to huy shares in the operator, double what Telefónica expected.

Telefónica has proved an irresistible draw because lts share price has soared in the past months and because small investors are offered a 4 per cent discount on the issue price and a 1-for-20 scrip share if they keep their shares for 12 months. The retail trade is being urged to seize "the last opportunity" to buy stock in "Spain's biggest multinational" at such terms.

As the bookbuilding process starts tha co-ordinators have reason to worry that although Telefónica stock should also be a clear buy for international institutions, they may end up having little to sell.

This is frustrating because Telefónica is uniqnely appealing at present with its stock trading on a p/e of 15.5-16. The consensus among analysts is that lts earnings will grow at between 16-20 per cent over the next five years.

The offer document reserves 50 per cent of the issue for institutions with a minimum 8 per cent allocated to Spanish institutions. Bnt the prospectus also says this structure can be altered to raise the percentage to 60 per cent if a majority of the co-ordinators agrea there is aufficient demand among small Spanish investors.

Mr Villalonga, who wants as many shareholders as possible to ensure client loyalty when the Spanish telecoms market is liberalised at tha end of next year, has indicated that ha would be delighted if up to 75 per cent is aold in Spain. Such a weighting is possible if the tranche for domestic institutions is increased and if the over-allotment or "green shoe" tranche is routed towards Spanish investors.

The domestic equity market would welcome such a structure as a clear signal that it had come of age in terms of volume. The timing is perfect as domestic funds are both growing fast – the volume of funds under management grew by more than 50 per cent last year to Pta18,700bn – and also, due to falling interest rates, switching rapidly to equity investments.

When the allotments are announced on February 17, will Telefónica and its co-ordinating hanks dispense with the stabilising after-market presence of a strong international institutional tranche? Such a hold decision admits no middle ground; a 75-25 split will be a triumph if the price holds up and a disaster if a lot of stock comes beck.

FT/S&P ACTUARIES WORLD INDICES

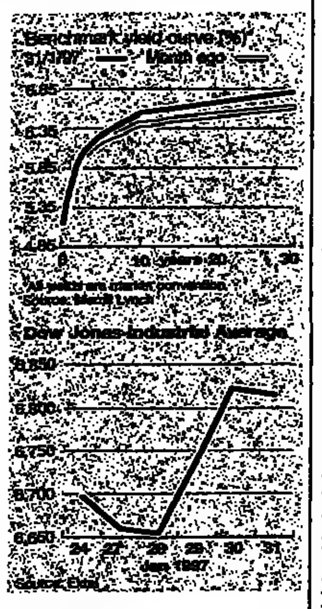
The FT/S&P Actuaries World Indices are owned by FTSE International Limited, Goldman, Sachs & Co. and Standard & Poor's. The Indices are compiled by FTSE International Limited and Standard & Poor's in conjunction with the Faculty of Actuaries and the Institute of Actuaries. NatWest Securities Ltd. was a co-founder of the Indices.

NATIONAL AND REGIONAL MARKETS Figures in parentheses show number of lines of stock	FRIDAY JANUARY 31 1997 US Dollar Index	%chg since 31/12/96	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg from 31/12/96	Gross Div. Yield	THURSDAY JANUARY 30 1997 US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	DOLLAR INDEX 52 week High	52 week Low	Year ago (approx)
Australia (76)	212.96	-4.0	187.01	163.42	181.32	185.82	0.0	4.10	213.66	198.21	164.42	182.10	185.75	224.61	188.44	195.80
Austria (24)	183.05	-3.9	169.34	140.47	155.85	155.77	2.5	1.84	182.27	167.38	140.26	155.35	155.27	195.04	174.70	187.71
Belgium (26)	232.04	1.9	214.68	178.06	197.56	193.07	8.2	3.34	230.95	212.08	177.72	196.84	192.68	233.47	203.64	214.48
Brazil (28)	212.37	12.0	196.47	162.97	180.82	408.74	12.7	1.49	207.68	190.71	159.82	177.01	399.63	212.37	147.48	161.34
Canada (114)	199.27	5.0	184.35	152.92	169.66	194.53	3.2	1.66	198.38	182.15	152.66	169.08	193.51	201.62	153.61	155.49
Denmark (32)	359.91	2.3	332.96	276.19	306.43	305.69	8.3	1.44	353.58	324.65	272.05	301.31	300.87	365.15	291.30	299.68
Finland (28)	260.67	6.2	241.43	200.26	222.19	267.41	12.8	1.66	254.19	233.43	195.61	216.65	259.93	262.72	174.47	162.46
France (92)	216.06	1.9	201.74	167.34	185.66	189.08	8.3	2.58	216.84	199.13	166.87	184.81	188.20	218.06	182.60	186.35
Germany (59)	188.34	-0.9	174.24	144.53	160.36	160.36	5.3	1.55	187.39	172.09	144.21	159.72	159.72	191.17	164.47	171.26
Hong Kong (59)	491.48	-3.1	454.68	377.15	418.45	488.95	-2.9	3.17	491.87	451.69	378.51	419.22	489.31	514.49	402.53	441.31
Indonesia (27)	248.04	6.7	229.47	190.34	211.19	361.62	9.3	1.47	245.14	225.11	188.64	208.93	357.15	-	-	-
Ireland (16)	327.22	-0.5	302.72	251.10	278.60	299.87	5.9	3.17	323.91	297.45	249.26	276.07	286.03	333.22	254.35	257.57
Italy (58)	93.94	12.5	86.90	72.09	79.98	112.82	18.1	1.85	92.53	84.97	71.21	78.86	111.27	98.32	70.61	77.37
Japan (480)	114.67	-11.2	106.09	88.00	97.63	88.00	-7.1	0.88	111.96	102.81	86.15	95.42	86.15	164.68	111.96	152.26
Malaysia (107)	624.54	3.5	577.78	479.26	531.74	597.79	1.9	1.04	621.34	570.58	478.14	529.57	594.90	628.00	509.55	509.55
Mexico (27)	1326.53	8.8	1227.22	1017.96	1129.43	11341.83	6.0	0.97	1331.11	1222.38	1024.34	1134.51	11408.65	1384.02	1046.55	1186.37
Netherland (19)	330.34	-1.7	305.61	253.50	281.26	277.18	4.4	2.67	328.98	302.08	253.14	280.37	276.50	336.15	272.97	273.52
New Zealand (14)	91.41	-0.4	84.57	70.15	77.83	70.50	2.2	3.96	92.17	84.64	70.93	78.56	70.95	95.60	75.94	80.50
Norway (41)	317.24	7.3	293.49	243.44	270.10	279.26	9.0	1.80	313.70	288.08	241.40	267.37	277.19	318.25	226.18	226.19
Philippines (22)	211.50	3.9	195.66	162.30	180.07	277.73	4.1	0.62	210.84	193.62	162.25	179.70	276.81	-	-	-
Singapore (43)	436.54	4.0	403.86	335.00	371.68	283.19	4.3	0.97	434.90	399.37	334.87	370.67	282.08	465.21	371.28	449.62
South Africa (44)	325.54	2.2	301.16	249.81	277.17	324.82	-0.2	2.50	324.29	297.80	249.55	276.39	323.57	437.76	301.48	427.75
Spain (35)	215.99	-1.7	199.82	165.75	183.90	228.71	4.7	2.76	213.49	196.05	164.28	181.96	223.88	226.18	181.86	165.25
Sweden (50)	427.54	1.3	395.53	328.09	364.01	457.70	7.3	1.94	420.56	386.21	323.84	358.45	451.60	432.49	305.31	305.31
Switzerland (35)	245.17	2.8	226.82	188.14	208.74	216.32	8.9	1.34	240.99	221.30	185.45	205.39	212.90	254.34	222.58	222.58
Thailand (45)	88.58	-7.5	81.95	67.98	75.42	89.10	-6.5	3.86	96.92	89.00	74.58	82.60	97.64	193.95	88.58	191.61
United Kingdom (211)	274.66	-3.0	254.09	210.77	233.85	254.09	3.6	3.74	273.61	251.45	210.71	233.97	251.45	293.17	224.39	228.62
USA (654)	320.15	6.1	296.18	245.68	272.58	320.15	6.1	1.85	319.29	293.21	245.70	272.18	319.29	320.60	254.79	259.21
Americas (823)	293.00	6.1	271.07	224.85	249.47	248.36	6.0	1.84	292.15	268.26	224.82	249.00	245.64	293.36	233.09	236.81
Europe (726)	239.32	-0.1	221.40	183.65	203.76	217.14	6.2	2.68	237.57	218.16	182.82	202.48	215.13	242.22	201.66	201.80
Nordic (151)	373.02	2.5	345.10	286.25	317.60	345.65	8.4	1.84	366.55	336.61	282.07	312.41	340.41	375.85	272.59	272.59
Pacific Basin (873)	135.84	-8.5	125.67	104.24	115.66	103.69	-5.3	1.96	133.54	122.63	102.76	113.81	102.11	177.01	133.54	165.37
Euro-Pacific (1599)	178.94	-4.1	165.55	137.32	152.36	146.53	0.8	2.11	176.88	162.43	136.11	150.75	144.79	181.51	176.40	160.44
North America (768)	312.57	6.0	289.45	240.09	266.39	311.87	5.6	1.85	312.00	286.52	240.10	265.62	310.99	313.26	248.65	252.76
Europe Ex. UK (515)	214.96	1.3	198.86	164.96	183.02	193.16	7.8	2.08	212.67	195.48	163.61	181.43	191.51	215.56	181.60	182.60
Pacific Ex. Japan (393)	312.03	-1.0	288.67	239.44	265.67	271.88	-0.1	2.72	312.36	286.85	240.37	266.23	271.91	320.65	268.97	286.81
World Ex. US (1812)	182.35	-3.4	168.69	139.93	155.25	152.36	1.1	2.09	180.33	165.60	138.77	153.69	150.63	193.47	177.71	182.29
World Ex. UK (2255)	221.85	1.3	205.05	170.09	188.72	195.25	3.3	1.79	219.98	202.01	169.28	187.49	193.90	224.89	199.58	203.63
World Ex. Japan (1986)	283.19	3.5	261.99	217.32	241.11	271.63	5.6	2.18	282.04	259.00	217.04	240.39	270.34	283.89	233.10	235.70
The World Index (2466)	226.20	0.9	209.26	173.58	192.59	200.61	3.3	1.98	224.59	206.24	172.83	191.42	199.15	228.97	202.32	205.87

 Base values: Dec 31, 1986 = 100; Finland: Dec 31, 1987 = 115.037 (US $ Index), 90.791 (Pound Sterling) and 94.94 (Local); Nordic: Dec 30, 1988 = 139.65 (US $ Index), 114.45 (Pound Sterling) and 123.22 (Local). Brazil, Indonesia and Philippines June 28 1996 = 214.14 (US $ Index), 204.38 (Pound Sterling) and 184.40 (Local). Thailand and Americas: Oct 31, 1994 = 180.44 (US $ Index), 164.07 (Pound Sterling) and 149.94 (Local). CONSTITUENT CHANGES DURING THE WEEK ENDING 31/1/97: Deletion: Advance Bank (Australia). Name changes: Alco Standard Corp to IKON Office Solutions (USA) and Pacific Gas & Electric to PG & E Corp (USA).

MARKETS: This Week

NEW YORK By Richard Tomkins



The quarterly earnings season has been going well in the US: for every company delivering profits thet fall short of expectations, there have been two delivering better than expected earnings. By now, however, nearly all the companies whose stocks constitute the Dow Jones Industrial Average have reported their results, so the stock markets are likely to rejoin the bond markets in focusing on the US economy.

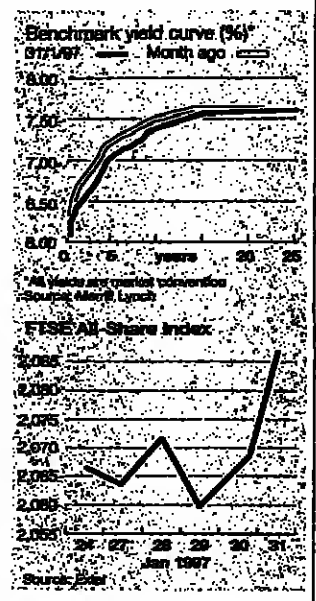
The highlight of the week will be the meeting of the Federal Open Market Committee tomorrow and Wednesday, at which policymakers will consider whether they need to lift interest rates to keep the lid on inflation.

Economists think the Fed will leave rates unchanged, based on the view that an impending slowdown in US economic growth will ease inflationary pressures. If the Fed surprised the market with an increase, it would almost certainly be confined to 25 basis points.

Another key event will be the publication of employment figures, a closely-watched indicator of inflationary pressures. The January figures are due on Friday, and the market is looking for a benign report: the consensus forecast of analysts surveyed by MMS International is for a rise of 195,000, down from the increase of 262,000 in December. Hourly earnings are expected to have risen by 0.3 per cent, down from 0.5 per cent in December.

Other statistics include today's publication of the National Association of Purchasing Management index of manufacturing activity: analysts expect the figure to fall from December's 53.8 per cent to 53.1 per cent in January.

LONDON By Philip Coggan



Monetary meetings will undoubtedly set tha tone for the financial markets in London this week.

Mr Kenneth Clarke, the chancellor, has his monthly battle with Mr Eddie George, the governor of the Bank of England, on Wednesday.

The governor is widely expected to continue his push for a rise in rates; the chancellor is widely expected to resist.

Most analysts also expect the Federal Reserve to keep rates on hold when its Open Market Committee meets on Tuesday, although for those who believe in omens, the committee meets three years to the day since the Fed upset the markets by increasing rates in 1994.

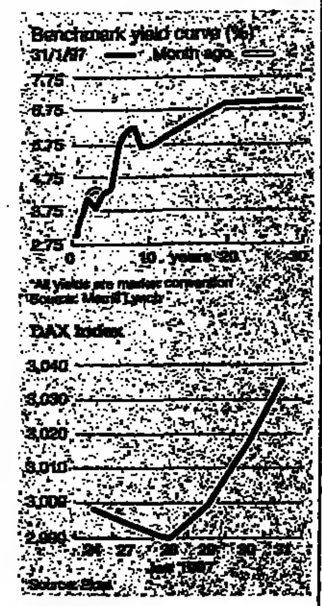
In contrast, there are some hopes of a cut in German rates when the Bundesbank council meets on Thursday, although perhaps only in the repo rate.

Even if the markets surmount the monetary hurdles and get through the week without an increase in rates on either side of the Atlantic, they could still be tripped up hy the US non-farm payroll numbers on Friday. A strong figure could point to a Fed rate increase in March.

Back in the UK, the results season starts slowly to get under way, with figures from some of the giants, BAA, BSkyB, BT and ICI. There has been a steady stream of profits warnings in the past few months, many sterling-related – something which would cause wider concern if it spread to the multinationals.

The stock market, buoyed by Wall Street, strong liquidity and bid hopes, is not leaving much margin for error on a historic price-earnings ratio (on the non-financials index) of nearly 19.

FRANKFURT By Andrew Fisher



With the economic winds from the US continuing favourable, German markets enter this week in fairly buoyant mood.

News of the rapid US growth rate at the end of last year is unlikely to disturb the dominantly bullish mood in German equities, since placid inflation holds little threat of interest rate rises.

The sharp increase in shares of big insurance companies, notably Allianz, after analysts' positive recommendations, and Friday's announcement of steeply higher profits at the SAP software concern, kept the DAX blue chip index above 3,000.

Today, the once-battered Metallgesellschaft will give details of results for the year to September 30 1996 and present a progress report on the early months of 1996-97.

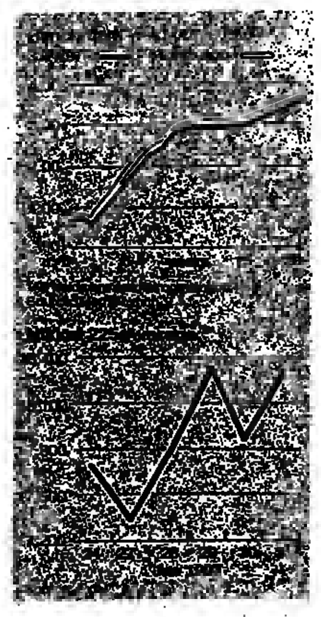
The company has already said that profits for 1995-96 were 70 per cent higher but investors will be keen to know how bright its prospects remain and how it intends to integrate its planned industrial acquisition, Agiv.

On Thursday, another set of grim unemployment figures is due. These are expected to reach a new post-war German record, with cold winter weather aggravating the effect of slack economic recovery.

Mr Bernhard Jagoda, head of the federal labour office, said January's jobless figure would certainly be higher than the December level of 4.15m (10.9 per cent of the workforce). J.P. Morgan reckons with a headline (non-seasonally adjusted) figure of 4.5m.

Production figures for December are also expected this week, with Paribas forecasting a monthly decline of at least 2 per cent.

TOKYO By Gwen Robinson



The volatility of Tokyo share prices last week reflected the fragility of market sentiment, as stocks plunged then soared on comments by senior Japanese and American officials and market rumours.

Most telling was the reaction on Friday to comments by Mr Alan Greenspan, chairman of the US Federal Reserve, that the Japanese were too pessimistic about their economy.

Share prices surged 2 per cent on the news, driving the Nikkei 225 back above 18,000 to close at 18,330.01, up 3.5 per cent on the week.

Earlier in the week, stocks plunged on further indications that the government had no plans to support the market.

In the lead-up to the March 31 business year-end, trading is likely to become more volatile as domestic corporations step up sales of shares to secure profits ahead of book-closing.

From April 1, sales tax will increase from 3 per cent to 5 per cent. Together with increases in income tax and social security contributions, also included in the fiscal 1997 budget, this will almost certainly hit growth in consumption, economists note. And the weakening of the yen against the dollar will drive up prices of imported goods, further depressing sentiment.

Stock performances are reflecting these factors. There is strong demand for export-orientated issues hut domestic sectors such as retailing and property have been languishing.

Bonds, meanwhile, are likely to move in a tight range following last week's reaffirmation by Mr Yasuo Matsushita, Bank of Japan governor, of continued rock-bottom interest rates.

COMMODITIES By Maggie Urry

Grain volatility under review

The exceptional rise and fall in world grain prices during 1996 has contributed to fears that prices are becoming more rather than less volatile.

The question will be discussed later this week when the intergovernmental group on grain meets at the UN Food and Agriculture Organisation headquarters in Rome.

Sharply rising prices in the first half of last year meant that hy July wheat prices were double what they had been a year earlier. Prices then dropped just as suddenly in the second half of the year.

The fluctuations were far greater than the normal seasonal patterns.

A paper by the FAO's committee on commodity problems, looking at the impact of the Uruguay Round of the Gatt talks on grain prices, will form the basis of the debate.

The paper explores whether the 1996 price surge can be attributed to the changes in the international trading environment and if greater price instability is likely in coming years.

It points out that policy makers had expected the new trading environment to moderate price fluctuations. The paper suggested that since the impact of the Uruguay Round had yet to have much weight, it was too soon for that to be the cause of the volatility.

It suggests that "while the initial stages of trade liberalisation under the Uruguay Round could have some price destabilising effects . . . trade liberalisation in the longer run should probably have a stabilising effect on commodity prices".

However, it does suggest that one influence has been the decline in government carry-over stocks since the high levels of the mid-1980s, in part related to Gatt, which would tend to make prices more volatile.

The paper suggasted it might be desirable for countries to maintain "appropriata levels of food stocks" which would be consistent with commitments under the Uruguay Round.

OTHER MARKETS Compiled by Jeffrey Brown

Most leading European bourses ended Friday firmly on the upside, notably Paris – which pushed forward determinedly into new all-time territory.

PARIS

The French corporate scene has fizzed with stories lately and the next few days look capable of maintaining a heady pace.

Full-year results are due from Havas; there are sales figures from Peugeot, Casino and Promodes; and hotels giant Accor starts a European roadshow.

The results season is now in full swing. If the broad trend so far has been towards on-line earnings, the absence of nasty surprises has been a clear bonus and the Paris stock market has been in Olympian form.

Helped by another central bank trim in money market rates and a strong dollar, the laading CAC 40 index punched through tha 2,500 level.

Alcatel Alsthom scooped up the share price performance prizes last week, but Accor was right behind the defence and electronics leader. The hotels group, number four in the world rankings in terms of beds, was subject to both takeover rumours and broker buy notes.

The latter have been concentrating on Accor's big French-based business and the recent weakness of the franc. Lehman Brothers has a target price for the shares some 20 per cent above the present value.

The company holds a series of analyst meetings, starting in Paris today. The Havas results emerge on Thursday, along with Peugeot and Promodes turnover figures for 1996.

The bourse is widely seen as fairly valued by the broking community, and with one eye on Wall Street, most commentators are braced for a short-term correction.

But many analysts suggest that the current restructuring and stock selection themes still have a long way to run.

ZURICH

Drugs optimism in Zurich should be maintained this week, with Roche meeting analysts today. The group has been linked with all sorts of takeover speculation recently on which it has resolutely refused to comment. Last month the shares rose more than 19 per cent.

Meanwhile, Alusuisse is scheduled to announce full-year results today.

AMSTERDAM

Dutch shares turned in one of the shakier European performances last week, easing lower in thin volume, and the cautious mood was maintained on Friday.

KLM announces third-quarter results tomorrow (the broker consensus is for a modest net loss) and puts out January traffic figures on Friday.

HONG KONG

Investors are expected to remain on the sidelines in this holiday-shortened week, *writes Louise Lucas in Hong Kong*. The exchange is closed Thursday and Friday for the lunar new year.

Most activity is likely to come from the banking sector, where the full-year results season kicks off this week, and from ntilities, which have become a big talking point following last week's acquisition of 20 per cent of China Light and Power by the Hong Kong-listed arm of Beijing's main investment agency, Citic Pacific.

The deal helped refocus attention on Hongkong Telecom, pushing the shares higher. Speculation has been rising that a Chinese buyer will be found for part of the controlling stake held by the UK's Cable and Wireless.

Beyond those themes, a note of caution is entering the market. Merrill Lynch, for example, has been cautious over the short term as index volatility rises and fair value is seen in prices.

CROSS BORDER M&A DEALS

BIDDER/INVESTOR	TARGET	SECTOR	VALUE	COMMENT
Citic (China)	CLP (HK)	Power	$2.2bn	HK reshaping
Onex (Canada)	Unit of AO Smith (US)	Car parts	$625m	Expansion
Ingersoll-Rand (US)	Newman Tonks (UK)	Controls	$384m	Trumps FKI bid
Agco (US)	Fendt (Germany)	Agricultural machinery	$321m	Seeking competitive edge
Imperial Tobacco (UK)	Rizla (N'lands)	Cigarette papers	$309m	Buy from Swiss
Sun Healthcare (US)	Ashbourne (UK)	Healthcare	$159m	Unconditional
Halliburton (US)	OGC Intl (UK)	Oil & gas servs	$121m	Agreed offer
Donaldson Lufkin & Jenrette (US)	Phoenix Securities (UK)	Banking	est $84m	Boutique buys continue
Williams Holdings (UK)	Fymetics (US)	Detection systems	$24.8m	Cash plus debt deal
Senior Engineering (UK)	Ketema A & E (US)	Aerospace parts	$21m	Via Flexonics

CONTRACTS & TENDERS

CURRENCIES By Graham Bowley

Eurostat, FOMC and G7 set to move currencies

This week will be dominated by a series of official meetings. Today Eurostat, the statistical wing of the European Commission, gives its verdict on the accounting methods some countries are using to ensure they qoalify for the single currency.

The report – dealing with issues such as gold sales, as in the case of Belgium, and the imposition of a one-off income tax, as in the case of Italy – is likely to have a crucial bearing on which countries are eventually allowed to take part in monetary union.

The report will probably focus on broad issues, rather than naming any particular countries which may be using especially imaginative techniques to massage their debt levels and budget deficits.

Currency markets are likely to be affected by Eurostat's findings. If the report rejects many of the methods used, then the D-Mark is likely to benefit, while the lira and peseta would suffer. But if it accepts the treatments, then the D-Mark could weaken.

The US Federal Open Markets Committee meets tomorrow and Wednesday, amid speculation that US interest rates could be raised. A rate rise could benefit the dollar at the expense of the D-Mark and yen, although it could hit US asset markets.

The spectacular rise and subsequent falls of the pound, and what they mean for the UK economy, will come under scrutiny on Wednesday when Mr Kenneth Clarke, UK chancellor, and Mr Eddie George, governor of the Bank of England, meet to discuss interest rates.

Finance ministers and central bankers from the Group of Seven leading industrialised nations meet in Berlin on Saturday.

European monetary union is likely to be on the G7 agenda, but, after last week's gyrations in the currency markets, so too will be the desired directions of the yen, US dollar and the D-Mark.

FT GUIDE TO WORLD CURRENCIES

The table below gives the latest available rates of exchange (rounded) against four key currencies on Friday, January 31, 1997. In some cases the rate is nominal. Market rates are the average of buying and selling rates except where they are shown to be otherwise. In some cases market rates have been calculated from those of foreign currencies to which they are tied.

		£ STG	US $	D-MARK	YEN (X 100)
Afghanistan	(Afghani)	7611.67	4750.00	2900.41	3912.69
Albania	(Lek)	198.710	124.000	75.7159	102.142
Algeria	(Dinar)	91.6713	57.2052	34.9302	47.1213
Andorra	(French Fr)	8.8582	5.5277	3.3753	4.5533
	(Sp Peseta)	222.026	138.550	84.6004	114.127
Angola	(Read) Kwanza(1)	337326.2	210500.0	128533.9	173393.7
Antigua	(E Carib $)	4.3268	2.7000	1.6487	2.2241
Argentina	(Peso)	1.6019	0.9996	0.6104	0.8234
Armenia	(Dram)	740.868o	462.320	282.298	380.824
Aruba	(Florin)	2.8685	1.7900	1.0930	1.4745
Australia	(Aus $)	2.1024	1.3119	0.8011	1.0806
Austria	(Schilling)	18.4680	11.5245	7.0370	9.4930
Azerbaijan	(Manat)	6554.22o	4090.00	2497.40	3369.03
Azores	(Port Escudo)	263.099	164.180	100.250	135.239
Bahamas	(Bahama $)	1.6025	1	0.6106	0.8237
Bahrain	(Dinar)	0.6042	0.3770	0.2302	0.3106
Balearic Is	(Sp Peseta)	222.026	138.550	84.6004	114.127
Bangladesh	(Taka)	68.0262	42.4500	25.9205	34.9671
Barbados	(Barb $)	3.2231	2.0113	1.2281	1.6568
Belarus	(Rouble)	43187.4o	26950.0	16456.0	22199.3
Belgium	(Belg Fr)	54.0684	33.7400	20.6021	27.7924
Belize	(B $)	3.2050	2.0000	1.2212	1.6475
Benin	(CFA Fr)	885.820	552.770	337.528	455.330
Bermuda	(Bermudian $)	1.6025	1	0.6106	0.8237
Bhutan	(Ngultrum)	57.4897	35.8750	21.9057	29.5511
Bolivia	(Boliviano)	8.3490	5.2100	3.1813	4.2919
Botswana	(Pula)	5.7546	3.5907	2.1925	2.9577
Brazil	(Real)	1.6756	1.0456	0.6385	0.8613
Brunei	(Brunei $)	2.2558	1.4077	0.8596	1.1596
Bulgaria	(Lev)	3124.87	1950.00	1190.69	1606.26
Burkino Faso	(CFA Fr)	885.820	552.770	337.528	455.330
Burma	(Kyat)	9.8301	6.1342	3.7456	5.0529
Burundi	(Burundi Fr)	383.295	239.186	146.050	197.023
Cambodia	(Riel)	3685.75	2300.00	1404.41	1894.56
Cameroon	(CFA Fr)	885.820	552.770	337.528	455.330
Canada	(Canadian $)	2.1603	1.3481	0.8231	1.1104
Canary Is	(Sp Peseta)	222.026	138.550	84.6004	114.127
Cp. Verde	(CV Escudo)	132.959	82.9700	50.6625	68.3443
Cayman Is	(CI $)	1.3272	0.8282	0.5057	0.6822
Cent. Afr. Rep	(CFA Fr)	885.820	552.770	337.528	455.330
Chad	(CFA Fr)	885.820	552.770	337.528	455.330
Chile	(Chilean Peso)	673.291	420.150	256.549	346.087
China	(Yuan)	13.2902	8.2934	5.0641	6.8315
Colombia	(Col Peso)	1704.66	1063.75	649.538	876.236
Comoros	(Fr)	664.337	414.563	253.137	341.486
Congo	(CFA Fr)	885.820	552.770	337.528	455.330
Costa Rica	(Colon)	355.170	221.635	135.333	182.566
Côte d'Ivoire	(CFA Fr)	885.820	552.770	337.528	455.330
Croatia	(Kuna)	9.3577	5.8395	3.5656	4.8101
Cuba	(Cuban Peso)(4)	30.4475	19.0000	11.6016	15.6507
Cyprus	(Cyprus £)	0.7902	0.4931	0.3011	0.4062
Czech Rep.	(Koruna)	44.4502	27.7380	16.9372	22.8484
Denmark	(Danish Krone)	10.0076	6.2450	3.8133	5.1442
Djibouti Rep	(Djib Fr)	256.400	160.000	97.6980	131.796
Dominica	(E Carib $)	4.3268	2.7000	1.6487	2.2241
Dominican Rep	(D Peso)	22.5712	14.0850	8.6005	11.6021
Ecuador	(Sucre)	5852.33o	3652.00	2229.96	3008.24
	(Sucre)	5930.05m	3700.50	2259.57	3048.19
Egypt	(Egyptian £)	5.4486	3.4000	2.0761	2.8007
El Salvador	(Colon)	14.0299	8.7550	5.3459	7.2117
Equat'l Guinea	(CFA Fr)	885.820	552.770	337.528	455.330
Estonia	(Kroon)	20.9659	13.0857	7.9964	10.7872
Ethiopia	(Ethiopian Birr)	9.9307	6.1970	2.7840	5.1046
Falkland Is	(Falk £)	1	0.6240	0.3810	0.5140
Faroe Is	(Danish Krone)	10.0076	6.2450	3.8133	5.1442
Fiji Is	(Fiji $)	2.2683	1.4155	0.8643	1.1659
Finland	(Markka)	7.8243	4.8825	2.9813	4.0219
France	(Fr)	8.8582	5.5277	3.3753	4.5533
Fr. Cty/Africa	(CFA Fr)	885.820	552.770	337.528	455.330
Fr. Guiana	(Local Fr)	8.8582	5.5277	3.3753	4.5533
Fr. Pacific Is	(CFP Fr)	161.061	100.500	61.3665	83.7842
Gabon	(CFA Fr)	885.820	552.770	337.528	455.330
Gambia	(Dalasi)	15.8467	9.8888	6.0382	8.1456
Germany	(D-Mark)	2.6244	1.6377	1	1.3490
Ghana	(Cedi)	2785.31	1738.10	1061.31	1431.71
Gibraltar	(Gib £)	1	0.6240	0.3810	0.5140
Greece	(Drachma)	412.948	257.690	157.348	212.266
Greenland	(Danish Krone)	10.0076	6.2450	3.8133	5.1442
Grenada	(E Carib $)	4.3268	2.7000	1.6487	2.2241
Guadaloupe	(Local Fr)	8.8582	5.5277	3.3753	4.5533
Guam	(US $)	1.6025	1	0.6100	0.8237
Guatemala	(Quetzal)	9.7583	6.0894	3.7183	5.0160
Guinea	(Fr)	1602.50	1000.00	610.613	823.723
Guinea-Bissau	(Peso)	37527.3	23418.0	14299.5	19290.0
Guyana	(Guyanese $)	224.831	140.300	85.6669	115.568
Haiti	(Gourde)	25.0565	15.6359	9.5475	12.8797
Honduras	(Lempira)	20.4479	12.7600	7.7914	10.5107
Hong Kong	(HK $)	12.4178	7.7490	4.7316	6.3830
Hungary	(Forint)	271.936	169.695	103.618	139.782
Iceland	(Icelandic Krona)	111.422	69.5300	42.4559	57.2735
India	(Indian Rupee)	57.4897	35.8750	21.9057	29.5511
Indonesia	(Rupiah)	3808.34	2376.50	1451.12	1957.58
Iran	(Rial)	4807.50u	3000.00	1831.84	2471.17
Iraq	(Iraqi Dinar)	0.4962o	0.3109	0.1898	0.2561
Iraq	(Iraqi Dinar)	2884.50m	1800.00	1099.10	1482.70
Irish Rep	(Punt)	1.0076	0.6287	0.3839	0.5179
Israel	(Shekel)	5.3050	3.3104	2.0214	2.7269
Italy	(Lira)	2579.31	1609.56	982.814	1325.83
Jamaica	(Jamaican $)	54.4850	34.0000	20.7608	28.0069
Japan	(Yen)	194.544	121.400	74.1284	100
Jordan	(Jordanian Dinar)	1.1374	0.7098	0.4334	0.5846
Kazakhstan	(Tenge)	121.550	75.8500	46.3150	62.4794
Kenya	(Kenya Shilling)	88.0974	54.9750	33.5684	45.2842
Kiribati	(Australian $)	2.1024	1.3119	0.8011	1.0806
Korea North	(Won)	3.4454	2.1500	1.3128	1.7710
Korea South	(Won)	1384.80	864.150	527.661	711.820
Kuwait	(Kuwaiti Dinar)	0.4844	0.3023	0.1846	0.2490
Laos	(New Kip)	1474.30	920.000	561.764	757.825
Latvia	(Lats)	0.9142	0.5705	0.3483	0.4699
Lebanon	(Lebanese £)	2483.46	1549.75	946.297	1276.57
Lesotho	(Maluti)	7.3175	4.5665	2.7884	3.7615
Liberia	(Liberian $)	1.6025	1	0.6100	0.8237
Libya	(Libyan Dinar)	0.5697	0.3555	0.2171	0.2928
Liechtenstein	(Swiss Fr)	2.2807	1.4232	0.8690	1.1723
Lithuania	(Litas)	6.4100	4.0000	2.4425	3.2949
Luxembourg	(Lux Fr)	54.0684	33.7400	20.6021	27.7924
Macao	(Pataca)	12.8141	7.9963	4.8826	6.5867
Macedonia	(Denar)	70.0209	43.6946	26.6805	35.9924
Madagascar	(MG Fr)	6570.25	4100.00	2503.51	3377.27
Madeira	(Port Escudo)	263.099	164.180	100.250	135.239
Malawi	(Kwacha)	24.3580	15.2000	9.2813	12.5206
Malaysia	(Ringgit)	3.9827	2.4853	1.5176	2.0472
Maldive Is	(Rufiya)	18.8614	11.7700	7.1869	9.6952
Mali Rep	(CFA Fr)	885.820	552.770	337.528	455.330
Malta	(Maltese Lira)	0.6057	0.3780	0.2308	0.3113
Martinique	(Local Fr)	8.8582	5.5277	3.3753	4.5533
Mauritania	(Ouguiya)	227.579	142.015	86.7161	116.981
Mauritius	(Maur Rupee)	31.9779	19.9550	12.1848	16.4374
Mexico	(Mexican Peso)	12.5316	7.8200	4.7750	6.4415
Miquelon	(Local Fr)	8.8582	5.5277	3.3753	4.5533
Moldova	(Leu)	7.4987	4.6800	2.8577	3.8550
Monaco	(French Fr)	8.8582	5.5277	3.3753	4.5533
Mongolia	(Tugrik)	747.859	466.670	284.955	384.407
Montserrat	(E Carib $)	4.3268	2.7000	1.6487	2.2241
Morocco	(Dirham)	14.6925	9.1686	5.5984	7.5523
Mozambique	(Metical)	17829.4	11126.0	6793.67	9164.74
Namibia	(S A Rand)	7.3178	4.5665	2.7884	3.7615
Nauru Is	(Australian $)	2.1024	1.3119	0.8011	1.0806
Nepal	(Nepalese Rupee)	91.2624	56.9500	34.7744	46.9110
Netherlands	(Guilder)	2.9461	1.8384	1.1226	1.5143
N'nd Antilles	(A/Guilder)	2.8685	1.7900	1.0930	1.4745
New Zealand	(NZ $)	2.3274	1.4523	0.8868	1.1963
Nicaragua	(Gold Cordoba)	14.3401	8.9486	5.4641	7.3712
Niger Rep	(CFA Fr)	885.820	552.770	337.528	455.330
Nigeria	(Naira)	35.2550o	22.0000	13.4335	18.1219
	(Naira)	128.409m	80.1300	48.9284	66.0049
Norway	(Nor. Krone)	10.3931	6.4855	3.9601	5.3423
Oman	(Rial Omani)	0.6170	0.3850	0.2351	0.3171
Pakistan	(Pak. Rupee)(3)	64.2281	40.0799	24.4733	33.0147
Panama	(Balboa)	1.6025	1	0.6100	0.8237
Papua New Guinea	(Kina)	2.2012	1.3736	0.8387	1.1315
Paraguay	(Guarani)	3397.30	2120.00	1294.50	1746.29
Peru	(New Sol)	4.2338	2.6420	1.6132	2.1763
Philippines	(Peso)	42.2259	26.3500	16.0896	21.7051
Pitcairn Is	(£ Sterling)	1	0.6240	0.3810	0.5140
	(NZ $)	2.3274	1.4523	0.8868	1.1963
Poland	(Zloty)	4.8123	3.0030	1.8337	2.4736
Portugal	(Escudo)	263.099	164.180	100.250	135.239
Puerto Rico	(US $)	1.6025	1	0.6106	0.8237
Qatar	(Riyal)	5.8338	3.6405	2.2229	2.9987
Reunion Is. de la	(F/Fr)	8.8582	5.5277	3.3753	4.5533
Romania	(Leu)	9558.91	5965.00	3642.30	4913.51
Russia	(Rouble)	9032.48m	5636.50	3441.72	4642.92
Rwanda	(Fr)	553.765	345.563	211.006	284.648
St Christopher	(E Carib $)	4.3268	2.7000	1.6487	2.2241
St Helena	(£)	1	0.6240	0.3810	0.5140
St Lucia	(E Carib $)	4.3268	2.7000	1.6487	2.2241
St Pierre	(French Fr)	8.8582	5.5277	3.3753	4.5533
St Vincent	(E Carib $)	4.3268	2.7000	1.6487	2.2241
San Marino	(Italian Lira)	2579.31	1609.56	982.814	1325.83
Sao Tome	(Dobra)	3823.77	2386.13	1457.00	1965.51
Saudi Arabia	(Riyal)	6.0102	3.7505	2.2901	3.0894
Senegal	(CFA Fr)	885.820	552.770	337.528	455.330
Seychelles	(Rupee)	8.0205	5.0050	3.0561	4.1227
Sierra Leone	(Leone)	1201.87	750.000	457.959	617.792
Singapore	($)	2.2558	1.4077	0.8596	1.1596
Slovakia	(Koruna)	51.9322	32.4070	12.7881	26.6944
Slovenia	(Tolar)	238.428	148.785	90.8500	122.558
Solomon Is	($)	5.8169	3.6299	2.2165	2.9900
Somali Rep	(Shilling)	4196.55	2620.00	1599.80	2158.15
South Africa	(Rand)	7.3178	4.5665	2.7884	3.7615
Spain	(Peseta)	222.026	138.550	84.6004	114.127
Spanish Ports in N Africa	(Sp Peseta)	222.026	138.550	84.6004	114.127
Sri Lanka	(Rupee)	92.4483	57.6900	35.2262	47.5206
Sudan Rep	(Dinar)	234.788	146.500	89.4547	120.676
Surinam	(Guilder)	657.025	410.000	250.351	337.727
Swaziland	(Lilangeni)	7.3178	4.5665	2.7884	3.7615
Sweden	(Krona)	11.5884	7.2315	4.4156	5.9567
Switzerland	(Fr)	2.2807	1.4232	0.8690	1.1723
Syria	(£)	67.9620	42.4100	25.8961	34.9347
Taiwan	($)	43.9568	27.4300	16.7491	22.5947
Tanzania	(Shilling)	959.886	599.000	365.757	493.410
Thailand	(Baht)	41.5268	25.9140	15.8240	21.3459
Togo Rep	(CFA Fr)	885.820	552.770	337.528	455.330
Tonga Is	(Pa'anga)	2.1024	1.3119	0.8011	1.0806
Trinidad/Tobago	($)	9.8802	6.1655	3.7647	5.0787
Tunisia	(Dinar)	1.6665	1.0400	0.6350	0.8566
Turkey	(Lira)	186130.4	116150.0	70922.8	95675.5
Turks & Caicos	(US $)	1.6025	1	0.6106	0.8237
Tuvalu	(Australian $)	2.1024	1.3116	0.8011	1.0806
Uganda	(New Shilling)	1655.38	1033.00	630.765	850.906
Ukraine	(Hryvna)	2.8305	1.7663	1.0785	1.4550
U A E	(Dirham)	5.8844	3.6720	2.2422	3.0247
United Kingdom	(£)	1	0.6240	0.3810	0.5140
United States	(US $)	1.6025	1	0.6106	0.8237
Uruguay	(Peso Uruguayo)	14.1581	8.8350	5.3948	7.2776
Vanuatu	(Vatu)	182.197	113.695	69.4236	93.6532
Vatican	(Lira)	2579.31	1609.56	982.814	1325.83
Venezuela	(Bolivar)(2)	760.547v	474.600	289.797	390.939
Vietnam	(Dong)	17920.0	11182.5	6828.17	9211.29
Virgin Is-British	(US $)	1.6025	1	0.6106	0.8237
Virgin Is-US	(US $)	1.6025	1	0.6106	0.8237
Western Samoa	(Tala)	3.9374	2.4570	1.5003	2.0239
Yemen (Rep of)	(Rial)	208.325r	130.000	79.3796	107.084
Yugoslavia	(New Dinar)	8.6638	5.4064	3.3012	4.4534
Zaire Rep	(Zaire)	241778.8	150876.0	92126.8	124280.1
Zambia	(Kwacha)	2067.22	1290.00	787.690	1062.60
Zimbabwe	($)	17.5754	10.9675	6.6969	9.0342
ECU	(ECU)	1.3673	0.8470	0.5172	0.6977
SDR	(SDR)	1.16226	0.717221	0.437197	0.590305

Abbreviations: (a) Free rate; (m) Market rate; (o) Official rate; (r) Parallel rate (t) Tourist rate (u) Currency fixed against the US Dollar (v) Floating rate (1) Angolan Readjusted Kwanza devalued on 4/3/96. (2) Two tier rate replaced by floating Venezuelan Bolivar 22/4/96 (3) Pakistan Rupee devalued by 7.86pc against US dollar 22/10/96 (4) Market rate now shown for Cuba; FT enquiries to Business Research Centre 0171 873 4829. Some data derived from THE WM/REUTERS CLOSING SPOT RATES & Bank of America, Economics Department, London Trading Centre. Enquiries: 0171 634 4365.
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Friday, January 31, 1997

MARKETS: This Week

EMERGING MARKETS By Edward Luce

Latin America steps up pace

Asian economic growth rates are tapering off as Latin America's edge upwards. That is leading some emerging market fund managers to bet that portfolio funds will switch heavily into Latin American equities in 1997.

Asia's leading economies are likely to heve slower gross domestic product and corporate earnings growth for the second year running, say economists – with the exception of China, Vietnam and the Philippines.

In contrast, Latin America is expected to achieve its fastest GDP growth since 1992.

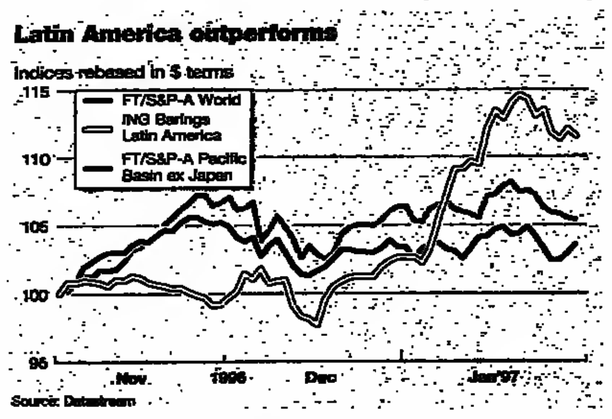
Stock market price/earnings ratios range from nine in Venezuele to 15 in Chile, compared with a range of between 15 and 22 in south-east Asia, and more than 40 in Japan, which explains why many Latin American bourses are considered bargains.

The upshot, say emerging market specialists, is that portfolio funds will switcb increasingly to cheaper Latin American bourses.

In addition, even the Asian countries that are growing fast are viewed warily by fund managers.

The two Chinese stock markets open to foreign buyers are considered worryingly volatile by many portfolio investors.

Latin America outperforms



Source: Datastream

Meanwhile, Manila seems expensive on a price/earnings ratio of 20 and Vietnam does not yet have a stock market.

Latin American stocks rose by 15 per cent in 1996, compared with 3.5 per cent in Asia, according to the International Finance Corporetion emerging market index. As the chart shows, the trend sharpened during January.

Mr Paul Luke, head of emerging markets at Deutscbe Morgan Grenfell in London, said: "We are seeing the first signs of Asie-sclerosis. There is going to be a strong shift of flows to Latin America during the year."

DMG predicts that the average value of Latin America's stocks will rise by 25 per cent in 1997, compared with 15 per cent in 1996.

But at the same time inflows will be boosted by up to US$12bn of privatisations in Brazil during the year and state sell-offs elsewhere in the region, it says.

Most of the privatisations will be in the utilities sector, which is generally considered to be undervalued hy domestic investors.

In Mexico, where DMG expects the stock market to rise by as much as 75 per cent in 1997, the recovery of banking stocks in the aftermath of the 1994 "Tequila crisis" should also attract stronger investment flows.

Inflation in Brazil, which fell from 2,000 per cent in 1994 to 12 per cent by December 1996 under the Real currency plan, should encourage investors, say economists, as should the stabilisetion of Venezuele's economy under an International Monetary Fund programme.

Mr Richard Gray, vice-president of emerging markets at Bank of America in London, says: "We expect most of Asia to continue to suffer from high current account deficits and falling export growth in 1997. Latin America's GDP growth could possibly overtake south-east Asia's in 1997."

Analysts say US institutionel investors will he encouraged to switch from Wall Street to Latin America hy the likelihood that Standard & Poor's will eward Mexico and possibly Venezuela investment grade ratings. Other countries, notably Brazil, are expected to be pushed up e notch. Some US mutual and pension funds are debarred from putting money into non-investment grade countries.

The widely expected slowdown in the US stock market in 1997, and the steepening of the US Treasury yield curve in anticipation of a rise in interest rates, is also expected to boost portfolio outflows to emerging markets during the year.

However, if the US Federal Reserve raised rates by more than 50 to 75 basis points during the year, there could be a net reduction of funds going to emerging markets. Most aconomists consider this unlikely.

Mr Arnab Banerji, chief investment officer at Foreign & Colonial Emerging Markets in London, said: "There probably will be a shift of funds to Latin America, but only if global liquidity remains strong.

"Much of this will depend on how steep the rise is in US interest rates and whether there continues to be a net outflow of funds from Japan," he said.

Other potential pitfalls include the outcome of mid-term elections to be held in Mexico and Argentina this year. Some fear these will show voters are distrustful of the social costs of economic reform.

ING BARING SECURITIES EMERGING MARKETS INDICES

Index	31/01/96	Week on week movement Actual	Week on week movement Percent	Month on month movement Actual	Month on month movement Percent	Year to date movement Actual	Year to date movement Percent
World (449)	170.23	−0.64	−0.37	+10.12	+6.32	+10.12	+6.32
Latin America							
Argentina (22)	116.12	+1.06	+0.92	+8.99	+8.39	+8.99	+8.39
Brazil (24)	287.98	−2.61	−0.90	+26.95	+10.32	+26.95	+10.32
Chile (16)	180.70	−1.39	−0.77	+18.25	+11.23	+18.25	+11.23
Colombia (13)	193.05	−2.98	−1.52	+19.36	+11.15	+18.36	+11.15
Mexico (27)	90.16	−0.71	−0.78	+8.48	+10.39	+8.48	+10.39
Peru (12)	1118.21	−18.85	−1.48	111.00	+11.02	+111.00	+11.02
Venezuela (6)	81.33	+0.05	+0.09	−0.84	−1.36	−0.84	−1.35
Latin America (118)	157.78	−0.98	−0.62	+14.28	+9.95	+14.28	+9.95
Europe							
Czech Rep.(14)	108.63	+2.85	+2.69	+4.36	+4.18	+4.36	+4.18
Greece (20)	139.27	+8.87	+7.63	+26.98	+24.01	+26.96	+24.01
Poland (25)	370.88	−10.37	−2.72	+27.14	+7.89	+27.14	+7.89
Portugal (18)	181.27	+0.71	+0.44	+15.09	+10.33	+15.09	+10.33
South Africa (30)	132.94	+1.01	+0.77	+3.05	+2.35	+3.05	+2.35
Turkey (27)	187.49	+2.82	+1.53	+62.44	+49.94	+62.44	+49.94
Europe (134	129.35	+1.87	+1.31	+11.02	+9.31	+11.02	+9.31
Asia							
China (27)	54.00	+0.64	+1.20	−2.48	−4.40	−2.48	−4.40
Indonesia (30)	169.38	+4.28	+2.59	+12.95	+8.28	+12.95	+8.28
Korea (23)	86.50	+0.63	+0.74	+5.28	+6.50	+5.28	+8.50
Malaysia (24)	273.07	−8.60	−3.05	−7.35	−2.82	−7.35	−2.62
Pakistan (13)	73.14	+7.00	+10.59	+14.68	+25.12	+14.68	+25.12
Philippines (18)	338.33	+8.27	+2.51	+24.54	+7.82	+24.54	+7.82
Taiwan (31)	191.64	+0.87	+0.46	+8.20	+3.34	+6.20	+3.34
Thailand (29)	146.38	−14.07	−8.77	−8.78	−5.66	−8.78	−5.66
Asia (193)	221.79	−1.99	−0.89	+4.22	+1.94	+4.22	+1.94

All Indices in $ terms, January 7th 1992=100, Source: ING Baring Securities.

GOVERNMENT BONDS By Edward Luce

Fed expected to hold firm on interest rates

The strong response of US and European bond markets to news on Friday that US inflation was heading downwards was an unmistakable vote of confidence that the US would not raise interest rates when the Federal Reserve meets tomorrow.

With the GDP deflator, a general measure of inflation, falling to its lowest level since 1967, few were prepared to entertain parallels with February 1994 – when the Federal Reserve triggered a 12-month global bear market by unexpectedly raising interest rates.

The slowdown in price growth (with the GDP deflator falling to 1.8 per cent from 2 per cent the previous quarter) and news earlier last week that the US employment cost index had risen by less than expected combined to lift markets on both sides of the Atlantic at the end of a lacklustre week. Some traders were even saying that the US was entering a period of non-inflationary high economic growth.

"It now seems almost certain that the Federal Reserve will not increase interest rates when it meets [tomorrow and Wednesday]," said Mr Adrian Schmidt, senior economist at Chase Manhattan in London. "Mr Greenspan [chairman of the Federal Reserve] will want to wait for evidence of strong growth in wage rates before he moves on interest rates."

With US Treasury prices advancing almost a point and strong gains across the board in Europe, bond markets were betting that US interest rates would remain unchanged until at least March 25, the next time the Federal Open Market Committee meets.

Few seemed to place much emphasis on news that US economic growth accelerated to 4.7 per cent in the last quarter of 1996 – well in excess of the 4.2 per cent forecast by most investment houses.

Economists noted that the rise in GDP growth had not been accompanied by any corresponding growth in wage costs.

"There is e lot of insecurity in the US jobs market which is helping breakdown the old relationship between economic growth and wage costs," said Mr Philip Shaw, chief economist at Union Discount in London.

"Unless something dramatic happens we are not expecting a move until the second quarter of the year at the earliest."

Not everyone, however, shared the market's unqualified optimism. Mr Eric Fishwick, international economist at Nikko Europe in London, believes there is a one-in-three chance Mr Greenspan will raise rates by 25 basis points this week. Few, he says, anticipated the 25 basis point rise in February 1994.

"If the FOMC raises rates this week, it could earn credit for being aggressively pre-emptive on inflation – although in the short-run the markets would take a hit," said Mr Fishwick.

"Markets tend to look at data indicating what has already taken plece. The Federal Reserve's job is to anticipate what has not yet been captured by the statisticians."

Mr Jeremy Hawkins, chief economist at the Bank of America in London, says there are signs that the Fed could raise rates this week, although on balance the chances are against it.

For example, Ms Susan Philips – one of the more dovish members on the board of the Federal Reserve – has been making increasingly "hawkish noises on inflation judged against her previous standards," says Mr Hawkins.

Furthermore, he added, it would be prudent to assume that job insecurity in the US will begin to fade as wage earners become accustomed to unemployment of below 6 per cent – the level which economists consider to be consistent with stable inflation.

"Our bet is that they won't raise rates, but with GDP growth et 4.7 per cent it is a very fine judgment indeed," said Mr Hawkins.

"Mr Greenspan will also be well aware that US non-farm payroll and wage data for January are due out on Friday. If they showed stronger than expected growth in wage costs and the Fed had left rates unchanged, it could be awkward."

Assuming that the hond markets are right in betting that US interest rates will be left untouched, most expect the US Treasury market to continue its variable performance of recent weeks, with European markets trailing in its wake. A rise of 25 basis points, however, would prompt a sharp sell-off.

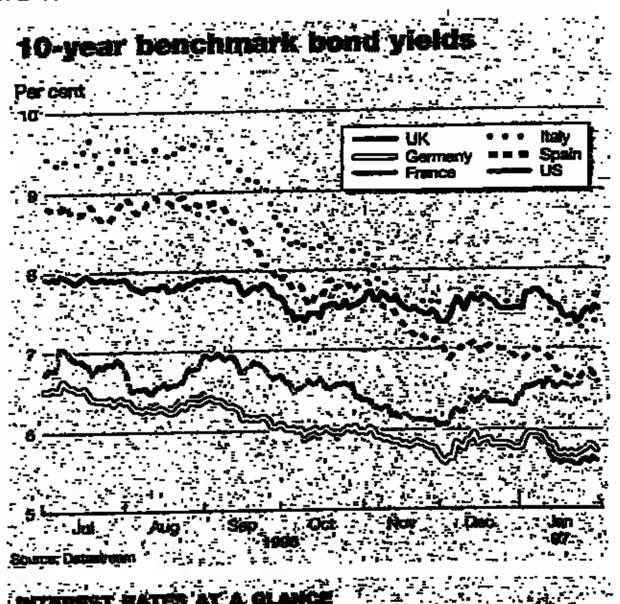
"There would he short-term panic bnt markets would quickly realise that an early move on rates would preclude the need for a steeper hike later on," said Mr Fishwick. "The long end of the curve would probably calm down quite quickly."

The knock-on effect on the UK gilts market would almost certainly be stronger, as it would put pressure on Mr Kenneth Clarke, chancellor of tha exchequer, to follow suit and raise UK rates this side of tha general election.

"The case for higher interest rates is stronger in the UK than the US," said Mr Shaw. "There would he a wave of global selling but the UK would be particularly hard hit."

Mr Clarke, more than most, must be hoping that the markets have anticipated Mr Greenspan correctly this time.

10-year benchmark bond yields



Source: Datastream

INTEREST RATES AT A GLANCE

	USA	Japan	Germany	France	Italy	UK
Discount	5.00	0.50	2.50	3.10	6.75	6.00
Overnight	5.38	0.50	3.06	3.18	7.37	6.00
Three month	5.15	0.53	3.04	3.24	7.26	6.19
One year	5.59	0.59	3.13	3.28	6.86	6.50
Five year	6.27	1.35	4.38	4.49	6.60	7.08
Ten year	6.62	2.46	5.73	5.68	7.27	7.40

(1) France-intervention rate. (2) UK-Base rate. Source: Reuters.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Maturity	Coupon %	Price	Yield %	Launch spread bp	Book-runner
US DOLLARS							
SuedwestLB Capital Markets	750	Feb 2002	6.50	99.60R	6.60	-	Goldman Sachs
Asfinag	250	Feb 2003	6.50	99.67R	6.57	+7(w/5yUS)	BZW
Multicanal Tranche 1	125	Feb 2002	9.25	99.80R	9.30	(a)	CSFB(NY)/Bank Boston
Multicanal Tranche 2	125	Feb 2007	10.50	99.75R	10.75	(a1)	CSFB(NY)/Bank Boston
Coval Alimentos	100	Dec 2004	10.63	99.90R	-	(b)	Chase
Depfa Bank Europe	200	Feb 2000	6.50	100.0R	6.50	+20(5⅞%-99)	Morgan Stanley Intl
Merita Bank(c)‡★	150	perpetual	7.00	98.56R	-	-	Merrill Lynch Intl
Argentaria Capital Funding‡	150	Feb 2007	(f)	99.93R	-	-	CSFB/Salomon Brothers
Capital One(g1)★	100	Feb 2027	(g1)	(g1)	-	-	Lehman Brothers Intl
GMAC	1bn	Feb 2002	6.75	99.79R	6.80	+42(w/5yr)	JP Mgn/Mrll Lynch
Osaka Gas Co	400	Feb 2007	7.13	99.64R	7.18	+41(6½%-06)	Goldman Sachs
Southrn Co Cptl Trst 1(i)★	300	Feb 2037	8.19#	100.0R		125(6½%-26)	Lehman Brothers
Parmalat Brazil(k)(s)	150	Jan 2005	9.13	99.92R	9.15	300(5¾%-99)	Bank of Boston
CIE Financiera de CIC‡	100	perpetual	(m)	98.51	-	-	Chase Manhattan Intl
NordLB(n)	100	Mar 2001	5.00	99.15R	5.24	+18(5¾%-99)	Kreditbank
DSL Bank	500	Feb 2002	6.50	99.72R	6.57	+11(6¾%-02)	Merrill Lynch/Nomura
1-st Maryland Cptl #‡★(s)	150	Feb 2027	(q)	98.88R	-	-	Lehman Brothers
Danone Finance	100	Feb 2000	6.38	99.96R	6.39	+15(5¾%-99)	Citibank
The Cogeneration(r)§	100	Feb 2007	2.50	100.00	-	-	JP Morgan
CCMT(x)	400	Feb 2002	5.84#	100.0R		-	Merrill Lynch
Bradford & Bingley Bldg Soc‡	300	Feb 2002	(y)	99.97R	-	-	Lehman Bro/ABN Amro
Export Development Corp(s)★	170	Feb 2000	5.65#	100.00	-	-	Toronto Dn/Tokyo Erp
D-MARKS							
Turkey	500	Feb 2004	7.75	98.40R	8.06	275(6%-03)	Cmrzbnk/Dtsch Mgn Gfl
Synthetic Russian Fed(D)(s)	100	May 2003	11.75	100.0R	-	-	JP Morgan
Brazil Rpckged Notes(E)(s)	100	Apr 2014	13.00	99.75R	13.03	-	Morgan Stanley Int
Turkish Svrgn Rpckgd Nts(s)	100	Jan 2003	6.50	99.95R	-	355(bnd03)	Daiwa Europe
YEN							
Nippon Steel Corp	10bn	Feb 2001	4.90	100.00		-	Wako Intl(Europe)
FRENCH FRANCS							
Dresdner Finance(z)	1.5bn	Nov 2008	6.25	102.67	-	18(OAT2008)	BNP/DresdnerKB
STERLING							
Land Secs Fin Jersey(e)§	210	Mar 2007	6.00	100.00	-	-	Schroders
Scottish Power	200	Feb 2017	8.38	99.83R	8.39	+63(8%-15)	HSBC Markets
The Housing Asn. Funding(e)	68.25	Jun 2027	8.25#	99.63	-	+56(8¾%-17)	BZW
Siemens Capital Corp	100	Feb 2000	6.88	99.96R	6.88	+8(6%-99)	CSFB
Abbey National Trsy Srvcs‡	100	Feb 2002	(h)	100.0R	-	-	SBC Warburg
IADB(s)	150	Dec 2002	7.25	99.46R	-	+8(7%-02)	DKB/Hambros Bank
3i Holdings	100	Feb 2002	(B)	99.87	-	-	HSBC Markets
IFC(s)★	250	Feb 2000	6.34	99.10	6.661	-	Yamaichi Intl(Europe)
SWISS FRANCS							
France Telecom(s)	200	Sep 2002	3.25	102.20	2.81	-	CSFB
Abbey National Tsy Srvcs	100	Mar 2002	3.00	101.50	2.67	-	UBS
JP Morgan and Co.	150	Dec 2001	2.00	97.30	-	-	SBC Warburg
LW Rentenbank(t)	100	Mar 2007	5.13	99.13R	5.24	-	Morgan Stanley(Zurich)
LB Rheinland-Pfalz(s)★	100	Dec 2001	3.00	101.50	-	-	UBS
ITALIAN LIRE							
International Finance Corp(t)	150bn	Feb 2000	zero	99.60R	-	-	Cariplo
United Mexican States	500bn	Feb 2007	9.13	99.40R	9.22	192(8¾%-06)	Chase Manhattan Intl
Grupo Bipop(v)§	220bn	Jan 2003	7.00	100.00	-	-	Morgan Stanley

Borrower	Amount m.	Maturity	Coupon %	Price	Yield %	Launch spread bp	Book-runner
GUILDERS							
EIB(o)	1bn	Feb 2007	5.75	99.10R	5.87	12.5(5¾%-07)	ABN Amro Hoare Govett
AUSTRALIAN DOLLARS							
Rabobank Australia(s)	100	Dec 2002	7.25	101.62	6.91	-	Toronto Dominion
ING Mercantile Mutual Bank	100	Mar 2002	7.13	101.11	6.88	-	Hambros Bank
Nederlandse Waterschapsbnk(t)	100	Mar 2002	7.00	101.44	6.65	-	ABN Amro Hoare Govett
LUXEMBOURG FRANCS							
Commerzbank Intl(s)	2bn	Mar 1997	5.00	102.30	4.54	-	BBL/BIL
Argenta Nederland	2bn	Mar 2003	5.10	100.00	5.10	-	BCEE
EUROS							
EIB(A)	1bn	Apr 2004	5.25	97.94R		+2(6%-04)	CDC/Paribas/SBCW
PESETAS							
EIB(w)‡	14bn	Feb 2007	7.28	100.00	-	-	Bnco Sntndr dNgcs
CANADIAN DOLLARS							
BNG(s)	100	Dec 2002	6.00	99.80R	6.09	+24(7%-01)	CIBC Wood Gundy
Kingdom of Denmark(s)	100	Dec 2002	6.00	110.2R	-	+25(7%-01)	Toronto Dominion
CZECH KORUNA							
BIL	1bn	Feb 1998	10.75	100.10R	10.64	-	Creditanstalt
WestLB Finance Curacao(C)	1bn	Feb 1998	10.50	100.90	1.00R	-	Investicni banka Austria
Kreditbank Int Finance	1bn	Feb 1998	10.75	100.13R	10.61	-	Creditanstalt Bohem
GREEK DRACHMAS							
Deutsche Fin Curacao(s)	20bn	Aug 1998	9.25	99.95R	9.36	-	Deutsche Morgan G'Fell
DANISH KRONER							
Commerzbank Ovrs Fin(s)	400	Dec 2003	6.00	101.83	5.67	-	ABN Amro Hre Gvt/BBL
WestLB Finance	400	Mar 2003	5.75	101.93	5.75	+2(l)	Generale Bank
LW Rentenbank(u)(s)	400	Dec 2004	5.25	101.83	5.88	-	Kreditbank

Final terms, non-callable unless stated. Yield spread (over relevant government bond) at launch supplied by lead manager. §Convertible. ‡Floating-rate note. ¢With equity warrants. ★Unlisted. #Semi-annual coupon and yield. R: fixed re-offer price. a) +25(interpolated Argentine global bonds). a1) +25-37.5bp(11%-06/Argentina. b) Put option 30/12/01; +425bp over put. c) Conv: 13%, call at par after 14/4/02. d) 3yr index linked. e) Coupon callable at par after 10yrs after which pay 6-mth Libor+225bp. f) To 2/02, then +75bp if not called at par. Discount margin is 3-mth Libor +26.6bp. g1) Callable at par after 10yrs. g) To be priced today xxx. h) 3-mth Libor +15bp; maximum coupon 10%. j) Callable at par in 2007. k) Put and call at par on 2/01/00. Coupon steps-up to 9.75% after 3yrs. m) 3-mth Libor +55bp. Callable at par after 5yrs when coupon steps up to 3-mth Libor +1.30bp for yrs 6-10; then 3-mth Libor +230bp thereafter. n) Steps up to 7.50% after 2yrs. Issued off EMTN. o) Deal may be redenominated in Euros from 1/1/99 with other EIB issues with identical terms and conditions. q) 3-mth Libor +85bp, 10yr call at par. r) Conv price: Baht112. Fixed exchange: Baht/US$25.87. r1) Callable from 12/2/00-11/3/01 at 115.321. Callable from 12/2/01-11/3/02 at 121.187. t) For 1st 4yrs, thereafter two times 6-mth Libor thereafter. u) For 1st 5yrs, then steps up to 8% for last 3yrs. v) Non callable for 3yrs, thereafter callable at par plus accrued interest. w) For 1st 4yrs then 12.8% less 1yr Libor. x) Callable from Feb00. y) 3-mth Libor +⅛bp. z) Fungible with FF2.5bn. Plus 113 days accrued. A) Notes may be redenominated in Euros from 01/01/99. B) 3-mth Libor +3¼bp. Call at par from 02/2000. C) Issued off $5bn EMTN programme. D) Until 28/5/98, 8¾% thereafter. E) Until 15/10/98, then 9.375% thereafter, par call semi-annually from 15/10/98. l) Over interpolated yield. l) Long 1st coupon. s) Short 1st coupon. Note: Yields are calculated on ISMA basis.

NOTICE OF PARTIAL REDEMPTION
To Holders of
DOMUS MORTGAGE FINANCE NO.1 PLC
£100,000,000
Mortgage Backed Floating Rate Notes due 2014

Notice is hereby given that in accordance with Conditions 5(b) and 18 of the Notes, the Issuer hereby gives notice to redeem £700,000 principal amount of Notes, selected randomly as detailed below. The date set for the mandatory redemption is the next coupon payment date being, March 10, 1997, and the Notes will be redeemed at their principal amount plus accrued interest. Payment will be made against surrender of the Notes, together with all appurtenant Coupons maturing after the date set for redemption at the offices of the Paying Agents, named on the Notes. On and after March 10, 1997, the redeemed Notes will cease to accrue interest.

The amount of any missing unmatured Coupons will be deducted from the sum due for payment. Any amount of principal so deducted will be paid against surrender of the relative missing Coupons within five years from the date of payment. The redeemed Notes will become void unless presented for payment within ten years of the redemption date.

The nominal amount that will be outstanding after the Notes listed below have been redeemed is £15,800,000.

The Serial Numbers drawn for mandatory redemption are as follows:

354 416 597 611 757 787 840

By: The Chase Manhattan Bank
London, Principal Paying Agent
and Reference Agent

CHASE

February 3, 1997

The FT GUIDE TO WORLD CURRENCIES, published in Monday's newspaper and covering over 200 currencies, is now available by dialling the following number from the keypad or handset of your fax machine. 0891 437 801. Calls are charged at 39p/min cheap rate and 49p/min at all other times. For service outside the UK please telephone +44 171 873 4378 for details on Cityline International.

REVISED NOTICE
USD 150,000,000
SOLVAY FINANCE (Bermuda) LTD
Floating Rate Notes due 1998
Serie 2 USD 30.000.000

Interest Rate 6.25%
Interest Period
September 30, 1996
March 27, 1997
(and not March 31, 1997 as previously announced)
Interest Amount due on March 27, 1997 per
USD 500,000 USD 15,451.39

BANQUE GÉNÉRALE DU LUXEMBOURG
Agent Bank

Correction Notice
CHESHIRE BUILDING SOCIETY
(Incorporated in England under the Building Societies Act 1986)
£10,000,000
Floating Rate Permanent Interest Bearing Shares (PIBS)

For the Interest Period 30th September, 1996 to 27th March, 1997 the PIBS will carry an Interest Rate of 8.41563% per annum. The Interest Amount per £1,000 will be £41.04 payable on the 27th March, 1997.

Listed on The International Stock Exchange of the United Kingdom and the Republic of Ireland Ltd.

Bankers Trust Company, London Agent Bank

T.C. Ziraat Bankasi
(Incorporated in the Republic of Turkey with limited liability)
U.S. $140,000,000
Floating Rate Notes Due 2001

Notice is hereby given that the Interest Rate for the period from 31st January, 1997 to 31st July, 1997 is 6.875%. The Floating Rate Note Interest Amount payable on 31st July, 1997 is U.S. $345.66 per U.S. $10,000.

In accordance with clause 6(c) of the Terms and Conditions of the Notes, the Interest Rate applicable for those Noteholders who have elected to Redeem their Notes on 31st July, 1997 is 6.5% and the Floating Rate Note Interest Amount payable will be U.S. $326.81 per U.S. $10,000.

Bankers Trust Company, London Agent Bank

Notice to Shareholders and Warrantholders of
Czech & Slovak Investment Corporation Inc.
Registered Office:
PO Box 309, Ugland House, Grand Cayman, Cayman Islands, British West Indies

Report and Financial Statements for the six months to 30th September 1996

Copies of the Unaudited Interim Report and Financial Statements for the six months to 30th September 1996 are now available from the registered office of the company, from Robert Fleming & Co. Limited, 25 Copthall Avenue, London EC2R 7DR and from Robert Fleming Management (Jersey) Limited, Queen's House, Don Road, St. Helier, Jersey JE2 4QD.

3rd February 1997

CENTRALE NUCLEAIRE EUROPEENNE A NEUTRONS RAPIDES S.A. - NERSA FRF 400 000 000 GUARANTEED FLOATING RATE NOTES DUE 1997
ISIN CODE : FR0008818728

For the period January 31, 1997 to April 30, 1997 the new rate has been fixed at 3.475 % P.A.
Next payment date : April 30, 1997
Coupon nr : 32
Amount :
FRF 171.82 for the denomination of FRF 20 000
FRF 859.10 for the denomination of FRF 100 000

THE PRINCIPAL PAYING AGENT
SOCIETE GENERALE BANK & TRUST LUXEMBOURG

International Bank for Reconstruction and Development
ECU 450,000,000
Floating Rate Notes due 2002

In accordance with the provisions of the Notes, notice is hereby given that the Rate of Interest for the three month period ending 30th April, 1997 has been fixed at 3.49609% per annum. The interest accruing for such three month period will be ECU 43.22 per ECU 5,000 Bearer Note, and ECU 864.31 per ECU 100,000 Bearer Note, on 30th April, 1997 against presentation of Coupon No. 20.

Union Bank of Switzerland
London Branch Agent Bank
29th January, 1997

CITICORP
U.S. $250,000,000 Floating Rate Notes
Due November 1999
(the "Notes")

Notice is hereby given that the Rate of Interest for the Interest Period February 3, 1997 to May 2, 1997 has been fixed at 0.0% and that the interest payable on the relevant Interest Payment Date May 2, 1997, against Coupon No. 10 will be US$00.00 in respect of US$5,000 nominal of the Notes.

February 3 1997, London
By: Citibank, N.A. (Corporate Agency & Trust), Agent Bank CITIBANK

CURRENCIES AND MONEY

POUND SPOT FORWARD AGAINST THE POUND

Jan 31		Closing mid-point	Change on day	Bid/offer spread	Day's Mid high	low	One month Rate	%PA	Three months Rate	%PA	One year Rate	%PA	Bank of Eng. Index
Europe													
Austria	(Sch)	18.4680	-0.1573	584 - 778	18.5939	18.3763	18.4245	2.8	18.368	2.2	-	-	104.0
Belgium	(BFr)	54.0684	-0.5485	435 - 932	54.5420	53.9138	53.9434	2.8	53.6784	2.9	52.4834	2.9	104.2
Denmark	(DKr)	10.0076	-0.0947	021 - 131	10.0885	9.9888	9.9877	2.4	9.9471	2.4	9.7682	2.4	106.3
Finland	(FM)	7.8248	-0.0421	178 - 307	7.8630	7.7720	-	-	-	-	-	-	83.9
France	(FFr)	8.8582	-0.0748	546 - 617	8.9159	8.8158	8.8375	2.8	8.7958	2.8	8.5911	3.0	107.1
Germany	(DM)	2.6244	-0.0224	231 - 257	2.6438	2.6106	2.6179	3.0	2.6046	3.0	2.5398	3.2	106.1
Greece	(Dr)	412.948	-2.353	738 - 157	415.312	409.803	-	-	-	-	-	-	66.6
Ireland	(I£)	1.0076	-0.0042	066 - 085	1.0116	1.0083	1.0073	0.4	1.0063	0.5	0.9998	0.8	102.0
Italy	(L)	2579.31	-20.28	810 - 053	2598.82	2573.43	2582.56	-1.5	2584.91	-0.9	2573.06	0.2	77.5
Luxembourg	(LFr)	54.0684	-0.5485	435 - 932	54.5420	53.9130	53.9434	2.3	53.6784	2.9	52.4834	2.9	104.2
Netherlands	(Fl)	2.9461	-0.027	448 - 473	2.9687	2.9337	2.9383	3.2	2.9228	3.2	2.8493	3.3	104.1
Norway	(NKr)	10.3831	-0.117	874 - 987	10.5091	10.3412	10.3806	1.4	10.3605	1.3	10.2556	1.3	104.2
Portugal	(Es)	263.099	-2.042	936 - 261	264.880	262.052	263.294	-0.9	263.684	-0.9	-	-	95.3
Spain	(Pta)	222.026	-1.454	877 - 176	223.341	220.925	222.026	0.0	221.806	0.4	218.411	1.2	78.4
Sweden	(SKr)	11.5884	-0.122	789 - 980	11.6600	11.5261	11.5894	2.0	11.5249	2.2	11.3154	2.4	88.5
Switzerland	(SFr)	2.2807	-0.0196	792 - 822	2.2974	2.2649	2.2727	4.2	2.2574	4.1	2.186	4.2	102.9
UK	(£)	-	-	-	-	-	-	-	-	-	-	-	95.4
Ecu	-	1.3573	-0.009	567 - 579	1.3639	1.3501	1.3554	1.7	1.3509	1.9	1.3295	2.1	-
SDR†	-	1.162257	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.6010	-0.0124	014 - 024	1.3137	1.5955	-	-	-	-	-	-	-
Brazil	(R$)	1.6756	-0.0122	749 - 763	1.6870	1.6685	-	-	-	-	-	-	-
Canada	(C$)	2.1603	-0.0145	592 - 613	2.1740	2.1516	2.1551	2.9	2.1443	3.0	2.0853	3.5	86.5
Mexico	(New Peso)	12.5316	-0.1241	186 - 435	12.6368	12.5183	-	-	-	-	-	-	-
USA	($)	1.6025	-0.012	020 - 030	1.6139	1.5957	1.6016	0.7	1.5997	0.7	1.5903	0.8	102.0
Pacific/Middle East/Africa													
Australia	(A$)	2.1024	-0.0079	010 - 037	2.1138	2.0932	2.1037	-0.7	2.1044	-0.4	2.104	-0.1	94.2
Hong Kong	(HK$)	12.4178	-0.0916	131 - 224	12.5045	12.3651	12.4105	0.7	12.3968	0.7	12.332	0.7	-
India	(Rs)	57.4897	-0.4368	317 - 477	57.8030	57.2490	-	-	-	-	-	-	-
Israel	(Shk)	5.3050	-0.0392	969 - 130	5.3370	5.2883	-	-	-	-	-	-	-
Japan	(Y)	194.544	-1.999	403 - 684	107.130	193.880	193.814	5.7	191.759	5.7	183.344	5.8	129.1
Malaysia	(M$)	3.9827	-0.0308	805 - 847	4.0122	3.9685	-	-	-	-	-	-	-
New Zealand	(NZ$)	2.3274	-0.0129	254 - 293	2.3408	2.3176	2.3341	-3.6	2.3436	-2.8	2.3643	-1.6	113.6
Philippines	(Peso)	42.2259	-0.3068	646 - 871	42.2871	42.1648	-	-	-	-	-	-	-
Saudi Arabia	(SR)	6.0102	-0.0446	080 - 124	6.0505	5.9871	-	-	-	-	-	-	-
Singapore	(S$)	2.2558	-0.0165	543 - 573	2.2708	2.2487	-	-	-	-	-	-	-
South Africa	(R)	7.3178	-0.0522	131 - 225	7.3739	7.2868	-	-	-	-	-	-	-
South Korea	(Won)	1384.80	-11.3	429 - 531	1404.96	1380.60	-	-	-	-	-	-	-
Taiwan	(T$)	43.9566	-0.344	108 - 024	44.2531	43.7780	-	-	-	-	-	-	-
Thailand	(Bt)	41.5288	-0.3808	998 - 578	41.8860	41.3300	-	-	-	-	-	-	-

† Rates for Jan 30. Bid/offer spreads in the Pound Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. Sterling index calculated by the Bank of England. Base average 1990 = 100. Index rebased 1/2/95. Bid, Offer and Mid-rates in both this and the Dollar Spot tables derived from THE WM/REUTERS CLOSING SPOT RATES. Some values are rounded by the F.T.

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Jan 31		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	low	One month Rate	%PA	Three months Rate	%PA	One year Rate	%PA	J.P. Morgan Index
Europe													
Austria	(Sch)	11.5245	-0.0121	221 - 269	11.5505	11.4670	11.5098	1.5	11.4845	2.1	11.2895	2.2	103.9
Belgium	(BFr)	33.7400	-0.09	350 - 450	33.9300	33.6450	33.68	2.1	33.5525	2.2	33.0125	2.2	104.2
Denmark	(DKr)	6.2450	-0.0124	435 - 465	6.2624	6.2215	6.2361	1.7	6.2177	1.7	6.138	1.7	105.8
Finland	(FM)	4.8825	+0.01	800 - 850	4.8925	4.8565	4.8737	2.2	4.855	2.3	4.7725	2.3	83.8
France	(FFr)	5.5277	-0.0054	272 - 282	5.5411	5.5048	5.5194	1.8	5.5014	1.9	5.4257	1.8	106.7
Germany	(DM)	1.6377	-0.0017	374 - 380	1.6418	1.6294	1.6348	2.1	1.6288	2.2	1.604	2.1	105.7
Greece	(Dr)	257.690	+0.45	640 - 740	258.400	255.470	259.245	-7.2	261.815	-6.4	272.84	-5.9	66.6
Ireland	(I£)	1.5905	-0.0053	895 - 915	1.5975	1.5825	1.59	0.3	1.5897	0.2	1.5868	0.2	-
Italy	(L)	1609.56	-0.64	930 - 981	1617.25	1607.25	1612.29	-2.0	1615.45	-1.5	1616.34	-0.4	77.5
Luxembourg	(LFr)	33.7400	-0.09	350 - 450	33.9300	33.6450	33.68	2.1	33.5525	2.2	33.0125	2.2	104.2
Netherlands	(Fl)	1.8384	-0.0032	382 - 386	1.8438	1.8301	1.8346	2.5	1.8266	2.6	1.7911	2.6	104.0
Norway	(NKr)	6.4855	-0.0245	840 - 870	6.5335	6.4565	6.4817	0.7	6.4761	0.6	6.4505	0.5	103.5
Portugal	(Es)	164.180	-0.05	130 - 230	164.510	163.450	164.385	-1.5	164.68	-1.2	165.455	-0.8	95.8
Spain	(Pta)	138.550	+0.125	500 - 600	138.900	138.080	138.648	-0.8	138.65	-0.3	137.88	0.5	78.3
Sweden	(SKr)	7.2315	-0.022	277 - 352	7.2526	7.2120	7.2287	0.5	7.2188	0.7	7.1715	0.8	88.3
Switzerland	(SFr)	1.4232	-0.0016	227 - 237	1.4280	1.4128	1.4194	3.2	1.4116	3.3	1.3787	3.1	102.5
UK	(£)	1.6025	-0.012	020 - 030	1.6139	1.5957	1.6018	0.7	1.5997	0.7	1.5903	0.8	94.5
Ecu	-	1.1807	-0.001	805 - 808	1.1870	1.1780	1.1821	-1.4	1.1852	-1.5	1.2016	-1.8	-
SDR†	-	0.71722	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	0.9996	-0.0003	995 - 996	0.9996	0.9996	-	-	-	-	-	-	-
Brazil	(R$)	1.0456	+0.0002	455 - 457	1.0462	1.0455	-	-	-	-	-	-	-
Canada	(C$)	1.3481	+0.001	478 - 483	1.3505	1.3407	1.3458	2.1	1.3407	2.2	1.3132	2.6	86.3
Mexico	(New Peso)	7.8200	-0.019	150 - 250	7.8250	7.8120	7.938	-18.1	8.2045	-16.7	9.065	-15.9	-
USA	($)	-	-	-	-	-	-	-	-	-	-	-	102.8
Pacific/Middle East/Africa													
Australia	(A$)	1.3110	+0.0048	115 - 123	1.3123	1.3097	1.3134	-1.4	1.3153	-1.0	1.3208	-0.7	98.4
Hong Kong	(HK$)	7.7490	+0.0005	485 - 495	7.7497	7.7485	7.7489	0.0	7.7494	0.0	7.7605	-0.1	-
India	(Rs)	35.8750	-0.005	500 - 000	35.9000	35.8500	36.09	-7.2	36.55	-7.5	-	-	-
Israel	(Shk)	3.3104	-0.0002	064 - 144	3.3144	3.3041	-	-	-	-	-	-	-
Japan	(Y)	121.400	-0.34	350 - 450	122.310	121.020	120.925	4.7	119.92	4.9	115.72	4.7	123.6
Malaysia	(M$)	2.4853	-0.0007	848 - 858	2.4890	2.4853	2.4882	-1.4	2.4935	-1.3	2.5148	-1.2	-
New Zealand	(NZ$)	1.4523	+0.0027	518 - 531	1.4531	1.4504	1.4578	-4.5	1.4621	-2.7	1.4936	-2.8	-
Philippines	(Peso)	26.3500	+0.005	200 - 800	26.3800	26.3200	-	-	-	-	-	-	-
Saudi Arabia	(SR)	3.7505	+0.0001	503 - 507	3.7507	3.7503	3.7508	-0.1	3.7512	-0.1	3.7531	-0.1	-
Singapore	(S$)	1.4077	+0.0002	072 - 082	1.4092	1.4072	1.4055	1.8	1.4009	1.8	1.3797	2.0	-
South Africa	(R)	4.5665	+0.0015	650 - 680	4.5735	4.5605	4.6072	-10.7	4.6822	-10.1	4.997	-9.4	-
South Korea	(Won)	864.150	-0.6	100 - 200	874.000	864.000	-	-	-	-	-	-	-
Taiwan	(T$)	27.4300	-0.01	100 - 500	27.4500	27.4100	27.4301	0.0	27.4303	0.0	-	-	-
Thailand	(Bt)	25.9150	-0.044	050 - 250	25.9950	25.8400	26.005	-4.2	26.1725	-4.0	26.81	-3.5	-

† SDR rate per $ for Jan 30. Bid/offer spreads in the Dollar Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. UK, Ireland & ECU are quoted in US currency. J.P. Morgan nominal indices Jan 30: Base average 1990=100

WORLD INTEREST RATES

MONEY RATES

January 31	Over night	One month	Three mths	Six mths	One year	Lomb. Inter.	Dis. rate	Repo rate
Belgium	3⅛	3⅛	3⅛	[illegible]	[illegible]	6.00	2.50	-
week ago	[illegible]	3⅛	[illegible]	[illegible]	3⅛	6.00	2.50	-
France	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	3.10	-	4.75
week ago	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	3.15	-	4.75
Germany	[illegible]	3⅛	3⅛	[illegible]	[illegible]	4.50	2.50	3.00
week ago	3⅛	3⅛	[illegible]	[illegible]	[illegible]	4.50	2.50	3.00
Ireland	[illegible]	[illegible]	[illegible]	[illegible]	6	-	-	6.25
week ago	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	-	6.25
Italy	7½	7½	[illegible]	[illegible]	[illegible]	8.25	6.75	7.35
week ago	[illegible]	7½	[illegible]	[illegible]	[illegible]	9.00	7.50	7.35
Netherlands	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	3.00	3.30
week ago	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	3.00	3.30
Switzerland	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	1.00	-
week ago	1½	[illegible]	[illegible]	[illegible]	[illegible]	-	1.00	-
US	5½	5½	[illegible]	[illegible]	6	-	5.00	-
week ago	[illegible]	5½	[illegible]	[illegible]	[illegible]	-	5.00	-
Japan	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	0.50	-
week ago	[illegible]	½	[illegible]	[illegible]	[illegible]	-	0.50	-
■ $ LIBOR FT London								
Interbank Fixing	-	[illegible]	[illegible]	[illegible]	[illegible]	-	-	-
week ago	-	[illegible]	[illegible]	[illegible]	[illegible]	-	-	-
US Dollar CDs	-	5.17	5.20	5.29	5.51	-	-	-
week ago	-	5.17	5.20	5.28	5.51	-	-	-
ECU Linked Ds	-	[illegible]	[illegible]	[illegible]	[illegible]	-	-	-
week ago	-	[illegible]	4	4	4	-	-	-
SDR Linked Ds	-	[illegible]	[illegible]	[illegible]	[illegible]	-	-	-
week ago	-	[illegible]	[illegible]	[illegible]	[illegible]	-	-	-

$ LIBOR interbank fixing rates are offered rates for $10m quoted to the market by four reference banks at 11am each working day. The banks are: Bankers Trust, Bank of Tokyo Mitsubishi, Barclays and National Westminster.
Mid rates are shown for the domestic Money Rates, US$ CDs, ECU & SDR Linked Deposits (Ds).

EURO CURRENCY INTEREST RATES

Jan 31	Short term	7 days notice	One month	Three months	Six months	One year
Belgian Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Danish Krone	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
D-Mark	4½ - 4	[illegible]	[illegible] - 3	[illegible] - 3	[illegible]	[illegible] - 3
Dutch Guilder	[illegible]	[illegible]	[illegible]	3 - [illegible]	[illegible]	[illegible]
French Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Portuguese Esc.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Spanish Peseta	[illegible]	[illegible]	[illegible] - 6	[illegible]	[illegible]	[illegible]
Sterling	[illegible]	[illegible] - 6	[illegible]	[illegible]	[illegible]	[illegible]
Swiss Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Can. Dollar	[illegible]	3 - [illegible]	[illegible]	[illegible]	[illegible]	[illegible]
US Dollar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Italian Lira	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Yen	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Asian $Sing	[illegible]	1 - [illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Short term rates are call for the US Dollar and Yen, others: two days' notice.

■ THREE MONTH EURODOLLAR (IMM) $1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	94.40	94.41	+0.02	94.44	94.38	48,462	398,229
Jun	94.23	94.28	-0.05	94.30	94.20	79,708	392,777
Sep	94.04	94.12	+0.08	94.14	93.99	62,676	295,276

■ US TREASURY BILL FUTURES (IMM) $1m per 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	94.95	94.95	+0.03	94.96	94.94	89	4,706
Jun	94.80	94.84	+0.06	94.86	94.79	42	3,221
Sep	94.62	94.65	+0.06	94.65	94.62	24	784

All Open Interest figs. are for previous day

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

Jan 31		BFr	DKr	FFr	DM	I£	L	Fl	NKr	Es	Pta	SKr	SFr	£	C$	$	Y	Ecu
Belgium	(BFr)	100	18.51	16.38	4.853	1.862	4770	5.448	19.22	486.6	410.8	21.44	4.218	1.849	3.995	2.965	359.7	2.510
Denmark	(DKr)	54.02	10	8.949	2.621	1.006	2576	2.943	10.38	262.8	221.8	11.58	2.279	0.999	2.158	1.601	194.3	1.356
France	(FFr)	61.04	11.30	10	2.962	1.137	2911	3.326	11.73	297.0	250.6	13.08	2.575	1.129	2.438	1.810	210.6	1.532
Germany	(DM)	20.61	3.815	3.376	1	0.384	982.9	1.123	3.960	100.3	84.60	4.417	0.869	0.381	0.823	0.611	74.12	0.517
Ireland	(I£)	53.69	9.940	8.796	2.606	1	2561	2.926	10.32	261.3	220.5	11.51	2.265	0.993	2.145	1.592	193.1	1.348
Italy	(L)	2.097	0.388	0.343	0.102	0.039	100.	0.114	0.403	10.20	8.608	0.449	0.088	0.039	0.084	0.062	7.542	0.053
Netherlands	(Fl)	18.35	3.398	3.007	0.891	0.342	875.4	1	3.527	89.31	75.36	3.934	0.774	0.339	0.733	0.544	66.02	0.461
Norway	(NKr)	52.04	9.634	8.526	2.526	0.969	2482	2.835	10	253.2	213.7	11.15	2.195	0.962	2.079	1.543	187.2	1.306
Portugal	(Es)	20.55	3.805	3.367	0.997	0.383	980.2	1.120	3.949	100.	84.38	4.405	0.867	0.380	0.821	0.609	73.03	0.518
Spain	(Pta)	24.36	4.509	3.990	1.182	0.454	1162	1.327	4.680	118.6	100.	5.221	1.027	0.450	0.073	0.722	87.61	0.611
Sweden	(SKr)	46.65	8.637	7.643	2.264	0.869	2225	2.542	8.965	227.0	191.5	10	1.968	0.863	1.864	1.383	187.8	1.171
Switzerland	(SFr)	23.70	4.388	3.883	1.150	0.441	1131	1.292	4.555	115.3	97.33	5.081	1	0.438	0.947	0.703	85.27	0.595
UK	(£)	54.07	10.01	8.858	2.624	1.007	2579	2.946	10.39	263.1	222.0	11.59	2.281	1	2.160	1.603	194.5	1.357
Canada	(C$)	25.03	4.634	4.101	1.215	0.466	1194	1.364	4.810	121.8	102.6	5.366	1.056	0.463	1	0.742	90.05	0.626
US	($)	33.73	6.245	5.526	1.637	0.628	1609	1.838	6.482	164.1	138.5	7.230	1.423	0.624	1.347	1	121.3	0.847
Japan	(Y)	27.80	5.147	4.554	1.349	0.516	1326	1.515	5.342	135.3	114.1	5.959	1.173	0.514	1.111	0.824	100.	0.698
Ecu		39.85	7.377	6.528	1.934	0.742	1901	2.171	7.657	193.9	163.8	6.541	1.681	0.737	1.592	1.181	143.3	1

Danish Kroner, French Franc, Norwegian Kroner, and Swedish Kronor per 10; Belgian Franc, Yen, Escudo, Lira and Peseta per 100.

■ D-MARK FUTURES (IMM) DM 125,000 per DM

	Open	Sett price	Change	High	Low	Est.vol	Open int.
Mar	0.6127	0.6123	-0.0007	0.6150	0.6107	23,906	78,868
Jun	0.6174	0.6160	-0.0007	0.6178	0.6146	1,405	5,156
Sep	0.6195	0.6199	-0.0008	0.6193	0.6195	16	2,184

■ SWISS FRANC FUTURES (IMM) SFr 125,000 per SFr

	Open	Sett price	Change	High	Low	Est.vol	Open int.
Mar	0.7057	0.7056	-0.0006	0.7110	0.7033	11,605	47,656
Jun	0.7150	0.7123	-0.0006	0.7150	0.7115	211	2,711
Sep	-	0.7192	-0.0006	0.7210	0.7185	1	2,014

■ JAPANESE YEN FUTURES (IMM) Yen 12.5 per Yen 100

	Open	Sett price	Change	High	Low	Est.vol	Open int.
Mar	0.8259	0.8281	-0.0006	0.8310	0.8222	15,302	73,862
Jun	0.8365	0.8388	-0.0006	0.8406	0.8355	371	3,000
Sep	0.8500	0.8500	+0.0004	0.8500	0.8500	39	729

■ STERLING FUTURES (IMM) £62,500 per £

	Open	Sett price	Change	High	Low	Est.vol	Open int.
Mar	1.6120	1.5978	-0.0144	1.6126	1.5940	8,769	34,810
Jun	1.6030	1.5952	-0.0144	1.6030	1.5920	21	2,318
Sep	1.5904	1.5916	-0.0144	1.5950	1.5890	2	1,038

■ PHILADELPHIA SE £/$ OPTIONS £31,250 (cents per pound)

Strike Price	CALLS Feb	Mar	Apr	PUTS Feb	Mar	Apr
1.600	1.32	2.23	2.89	1.32	2.12	2.65
1.610	0.98	1.77	2.28	1.80	2.62	3.20
1.620	0.64	1.39	1.86	2.41	3.23	3.80

Previous day's vol., Calls 105 Puts 301 . Prev. day's open int., Calls 30,708 Puts 49,866

■ PHILADELPHIA SE D-MARK/$ OPTIONS DM62,500 ($ per DM)

Strike Price	CALLS Feb	Mar	Apr	PUTS Feb	Mar	Apr
0.605	0.82	1.20	1.48	0.32	0.59	0.77
0.610	0.53	0.91	1.20	0.53	0.81	0.99
0.615	0.33	0.68	0.97	0.82	1.08	1.26

Previous day's vol., Calls 341 Puts 1,568 . Prev. day's open int., Calls 36,974 Puts 23,822

UK INTEREST RATES

LONDON MONEY RATES

Jan 31	Over-night	7 days notice	One month	Three months	Six months	One year
Interbank Sterling	8½ - 5½	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sterling CDs	-	-	[illegible]	[illegible]	[illegible]	[illegible]
Treasury Bills	-	-	[illegible] - 5⅞	6 - [illegible]	-	-
Bank Bills	-	-	[illegible]	[illegible]	[illegible]	-
Local authority deps.	5⅞ - 5¾	5⅞ - 5¾	6⅛ - 6	[illegible]	[illegible]	6⅞ - 6¾
Discount Market deps	6½ - 6	6⅛ - 6	-	-	-	-

UK clearing bank base lending rate 6 per cent from October 30, 1996

	Up to 1 month	1-3 month	3-6 months	6-9 months	9-12 months
Certs of Tax dep. (£100,000)	2½	5½	5	5	4¾

Certs of Tax dep. under £100,000 is 2½pc. Deposits withdrawn for cash 1¼pc.
Ave. tender rate of discount on Jan 31, 5.9340pc. ECGD fixed rate Stlg. Export Finance. Make up day Jan 31, 1997. Agreed rate for period Feb 26, 1997 to Mar 25, 1997, Scheme III 7.86pc. Reference rate for period Jan 1, 1997 to Jan 31, 1997, Schemes IV & V 6.409pc. Finance House Base Rate 6½pc from Jan 1, 1997

BANK OF ENGLAND TREASURY BILL TENDER

	Jan 31	Jan 24		Jan 31	Jan 24
Bills on offer	£200m	£200m	Top accepted rate	5.9362%	5.9162%
Total of applications	£2306m	£1408m	Ave. rate of discount	5.9340%	5.9134%
Total allocated	£400m	£200m	Average yield	6.0231%	6.0018%
Min. accepted bid	£98.520	£98.525	Offer at next tender	£200m	£200m
Allotment at min. level	89%	67%	Min. accept. bid 92 days	98.505	-

■ Pound in New York

Jan 31	—Close—	—Prev. close—
£ spot	1.6020	1.6130
1 mth	1.6011	1.6121
3 mth	1.5990	1.6100
1 yr	1.5898	1.6008

FT GUIDE to WORLD CURRENCIES

The FT Guide to World Currencies table can be found on the Markets page in today's edition.

BASE LENDING RATES

	%		%		%
Adam & Company	6.00	Duncan Lawrie	6.00	Royal Bk of Scotland	6.00
Allied Irish Bank (GB)	6.00	Exeter Bank Limited	7.00	●Singer & Friedlander	6.00
●Henry Ansbacher	6.00	Financial & Gen Bank	7.00	●Smith & Williamson Secs	6.00
Bank of Baroda	6.00	●Robert Fleming & Co	6.00	Scottish Widows Bank	6.00
Banco Bilbao Vizcaya	6.00	●Guinness Mahon	6.00	TSB	6.00
Bank of Cyprus	6.00	Habib Bank AG Zurich	6.00	United Bank of Kuwait	6.00
Bank of Ireland	6.00	●Hambros Bank	6.00	Unity Trust Bank Plc	6.00
Bank of India	6.00	Heritable & Gen Inv Bk	6.00	Western Trust	6.00
Bank of Scotland	6.00	●Hill Samuel	6.00	Whiteaway Laidlaw	6.00
Barclays Bank	6.00	C. Hoare & Co	6.00	Yorkshire Bank	6.00
Brit Bk of Mid East	6.00	Hongkong & Shanghai	6.00		
●Brown Shipley & Co Ltd	6.00	Investec Bank (UK) Ltd	6.00		
Citibank NA	6.00	Julian Hodge Bank	6.00		
Clydesdale Bank	6.00	●Leopold Joseph & Sons	6.00		
The Co-operative Bank	6.00	Lloyds Bank	6.00		
Coutts & Co	6.00	Midland Bank	6.00		
Cyprus Popular Bank	6.00	NatWestminster	6.00		
		●Rea Brothers	6.00		

● Members of London Investment Banking Association
* In administration

OTHER STATISTICS

STOCK INDICES

	Jan 31	Jan 30	Jan 29	Jan 28	Jan 27	1996/97 High	Low	Since comp. High	Low
FTSE 100	4275.8	4228.4	4207.5	4237.4	4212.0	4275.8	3632.3	4275.8	986.9
FTSE 250	4595.4	4572.6	4565.5	4582.7	4593.1	4616.0	4015.3	4616.0	1379.4
FTSE 250 ex IT	4638.5	4617.9	4612.1	4629.1	4644.0	4684.4	4024.4	4684.4	1378.3
FTSE 350	2115.5	2094.7	2086.0	2099.2	2090.3	2115.5	1816.6	2115.5	664.5
FTSE SmallCap	2305.59	2297.62	2292.17	2292.36	2291.88	2305.59	1954.06	2305.59	1363.79
FTSE SmallCap ex IT	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
FTSE All-Share	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
FTSE Fledgling	1295.62	1291.08	1287.79	1288.44	1288.13	1295.62	1108.94	1295.62	31.14
FTSE Eurotrack 100	2055.31	2045.32	2033.21	2042.48	2037.64	2055.31	1504.40	2055.31	800.45
FTSE Eurotrack 200	2089.49	2080.41	2068.75	2078.89	2070.13	2093.05	1584.49	2093.05	938.62
FT 30	2847.1	2830.6	2823.2	2844.7	2839.5	2865.2	2569.8	2865.2	49.4
FT Govt Securities	94.61	94.37	94.25	94.70	94.53	98.34	91.57	127.40	49.18
FT Fixed Interest	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
FT Gold Mines	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

RIGHTS OFFERS

[illegible]

BANK RETURN

[illegible]

LONDON RECENT ISSUES: EQUITIES

[illegible]

FT GOLD MINES INDEX

[illegible]

UK GILTS PRICES

[illegible]

Other Fixed Interest

[illegible]

LONDON SHARE SERVICE

ALCOHOLIC BEVERAGES

	Notes	Price	Wk% ch'nge	Div net	Div cov.	Dividends paid	Last xd	City line
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

BANKS, RETAIL

	Notes	Price	Wk% ch'nge	Div net	Div cov.	Dividends paid	Last xd	City line
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

BREWERIES, PUBS & REST

[illegible]

BUILDING & CONSTRUCTION

[illegible]

BUILDING MATS. & MERCHANTS

[illegible]

CHEMICALS

[illegible]

CHEMICALS - Cont.

[illegible]

DISTRIBUTORS

[illegible]

DIVERSIFIED INDUSTRIALS

[illegible]

ELECTRICITY

[illegible]

ELECTRONIC & ELECTRICAL EQPT

[illegible]

ENGINEERING

[illegible]

ENGINEERING - Cont.

[illegible]

ENGINEERING - Cont.

[illegible]

ENGINEERING, VEHICLES

[illegible]

EXTRACTIVE INDUSTRIES

[illegible]

EXTRACTIVE INDUSTRIES - Cont.

[illegible]

FOOD PRODUCERS

[illegible]

FOOD PRODUCERS - Cont.

[illegible]

GAS DISTRIBUTION

[illegible]

HEALTH CARE

[illegible]

HOUSEHOLD GOODS

[illegible]

INSURANCE

[illegible]

INVESTMENT TRUSTS

[illegible]

INVESTMENT TRUSTS - Cont.

[illegible]

INV TRUSTS SPLIT CAPITAL

[illegible]

LONDON SHARE SERVICE

INV TRUSTS SPLIT CAPITAL - Cont.

[illegible]

OTHER INVESTMENT TRUSTS

[illegible]

INVESTMENT COMPANIES

[illegible]

LEISURE & HOTELS

[illegible]

LIFE ASSURANCE

[illegible]

MEDIA

[illegible]

OIL EXPLORATION & PRODUCTION

[illegible]

OIL, INTEGRATED

[illegible]

OTHER FINANCIAL

[illegible]

PAPER, PACKAGING & PRINTING

[illegible]

PAPER, PACKAGING & PRINTING - Cont.

[illegible]

PHARMACEUTICALS

[illegible]

PROPERTY

[illegible]

PROPERTY - Cont.

[illegible]

RETAILERS, FOOD

[illegible]

RETAILERS, GENERAL

[illegible]

SUPPORT SERVICES

[illegible]

SUPPORT SERVICES - Cont.

[illegible]

TELECOMMUNICATIONS

[illegible]

TEXTILES & APPAREL

[illegible]

TEXTILES & APPAREL - Cont.

[illegible]

TOBACCO

[illegible]

TRANSPORT

[illegible]

WATER

[illegible]

AIM

[illegible]

AIM - Cont.

[illegible]

AMERICANS

[illegible]

CANADIANS

[illegible]

SOUTH AFRICANS

	Notes	Price	W'k% chnge	Div net	Div cov.	Dividends paid	Last xd	City line
Anglo Am Ind		£21½		0545c	ϕ	May Oct	2.9	–
Barlow				1.6 5105c	3.3	Jan Jul	9.12	–
Gold Flds Prop R	†	136½		1.6 065c	1.5	Feb Sep	26.2	–
NK Props		65		063.9c	–	Mar Sep	9'95	–
SASOL	♥	645		078c	–	Oct	9'93	–
SA Brews		£18 xd		1.9 0200c	ϕ	Jul Feb	2.17	4113
Standard Bank		£25		3.6 0264c	3.1	Sep Mar	–	–
Tiger Oats		780		0132c	2.8	Jan Jul	10.6	–
Tongaat-Hulett		768 xd		1.0 5130c	ϕ	Jan Jun	20.5	–

GUIDE TO LONDON SHARE SERVICE

Prices for the London Share Service are delivered by Extel, part of Financial Times Information.

Company classifications are based on those used for the FTSE Actuaries Share Indices.

Closing mid-prices are shown. Prices and net dividends are in pence unless otherwise indicated.

Where stocks are denominated in currencies other than sterling, this is indicated after the name. Prices shown for some of these foreign securities are converted into sterling from latest available local Stock Exchange prices.

Dividend covers are calculated on a "net" basis.

Market Capitalisations are published on Tuesdays-Saturdays except for Investment Trusts and British Funds.

- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ϕ Figures or report awaited
- ♥ Rule 2.1(a)(v) Overseas incorporated companies listed on an approved exchange.
- ♣ Free annual/interim report available, see details below.
- Rule 4.2(a) Irish incorporated non-listed companies.
- Price at time of suspension
- ¶ Indicated dividend after pending scrip and/or rights issue: cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress
- § Forecast dividend; cover based on earnings updated by latest interim statement.
- ♠ Unregulated collective investment scheme

a Annualised dividend. b Figures based on prospectus or other official estimates. c Cents. d Assumed dividend. e Assumed dividend after scrip issue. m Interim higher than previous total. o Rights issue pending. q Earnings based on preliminary figures. s Dividend excludes a special payment. t Indicated dividend: cover relates to previous dividend. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. z Dividend includes a special payment: Cover does not apply to special payment. F Dividend based on prospectus or other official estimates for 1996-97. G Assumed dividend after pending scrip and/or rights issue. H Dividend based on prospectus or other official estimates for 1997. K Dividend based on prospectus or other official estimates for 1996. L Estimated annualised dividend, cover based on latest annual earnings. M Dividend based on prospectus or other official estimates for 1995-96. N Dividend is paid in whole or part as a FID (Foreign Income Dividend). Q Gross. R Forecast annualised dividend, cover based on prospectus or other official estimates. W Pro forma figures. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xc ex capital distribution

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1425 a year for each security shown, subject to Oct Editor's discretion.

FT Share Service

The following changes have been made to the FT Share Information Service: **Additions: Aquarius** (HseGds), **Second St David's Inc, Cap & Zero Prf** (IvTr). **Deletions: Rockwell** (Amer), **Eagle Mining, Lorraine Gold** (ExIncls), **Enviromed** (HlthCare), **JF Pacific Wrts** (IvCo), **Barings 8pc Prf** (OthFncl).

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OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

Fidelity Currency Funds Ltd

Pembroke Hall, Pembroke, Bermuda

UK Fwd Advisors 0800 414191 — Jersey 01534 71696

Private Clients 0800 414161 — 00 352 250404230

From O'seas (44) 1732 777377 — Hong Kong (852) 848 1000

	Selling Price	Buying Price	Yield Gr's	City-Line
A$ Accum	A$19.415		8.70	40607
ASch Accum	Sch290.34		3.00	47644
C$ Accum	C$18.810		2.10	40941
DM Accum	DM38.529		2.00	41228
DFl Accum	Dfl31.610		1.70	40659
ECU Accum	Ecu13.605		3.00	41230
FFr Accum	FFr67.447		2.20	41262
HK$ Accum	HK$122.89		4.10	41318
Lire Accum	L24052		6.40	41386
NZ$ Accum	NZ$40.738		4.60	41544
NKr Accum	NKr113.42		2.10	49040
S$ Accum	S$26.194		2.00	49058
SPta Accum	Pta2778.4		5.30	50124
£ Accum	£13.307		6.10	47546
SKr Accum	SKr122.15		2.00	49094
SFr Accum	SFr25.432		0.00	41550
US$ Accum	$23.806		4.40	41575
Yen Accum	Y2691.2		0.10	41582

Prices for dealing January 31

Jupiter Tyndall (Bermuda) Ltd

PO Box HM1256, Hamilton, Bermuda 001 809 292 2780

Jupiter Tyndall World Dedicated Fund Ltd

	Selling Price	Buying Price	Yield Gr's	City-Line
Eurobond	$16.11	16.93	3.45	45873
Money	$14.28	15.00	2.54	45877
Mortgage	C$24.45	25.69	7.18	45875
North American	$15.21	15.99	0.00	45871
Overseas	$17.20	18.07	0.00	45876
Tiger	$17.86	18.76	0.00	45877
UK Small Cos	$1.46	1.54	0.00	59186

Newport Investment Management

BERMUDA (REGULATED)(**)

GUERNSEY (SIB RECOGNISED)

GUERNSEY (REGULATED)(**)

IRELAND (SIB RECOGNISED)

IRELAND (REGULATED)(**)

ISLE OF MAN (SIB RECOGNISED)

ISLE OF MAN (REGULATED)(**)

JERSEY (REGULATED)(**)

JERSEY (SIB RECOGNISED)

Offshore Funds and Insurances

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LUXEMBOURG (SIB RECOGNISED)

ABN AMRO Funds (u)

Fidelity Funds - Contd.

Fleming Group (u)

Mercury Asset Management S.A. - Contd.

ACM Global Investment - Contd.

Credis Investment Funds - Contd.

Merrill Lynch Asset Management - Contd.

Southern International SICAV

State Street Luxembourg SA

CMI Insurance Co Ltd - Contd.

LUXEMBOURG (REGULATED)(**)

ACM Global Investment

OFFSHORE INSURANCES

FT MANAGED FUNDS SERVICE

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	Selling Price	Buying Price	Yield Gross	City-Line
Old Mutual Guernsey - Contd.				
Veritas Intl Managed	£0.874	1.047	-	-
Pioneer Long Term Cons	$1.054	1.734	-	-
Pioneer Long Term Agg	$0.895	0.953	-	-
Pioneer Medium Term Agg	$1.005	1.076	-	-
Old Mutual Hong Kong				
Dollar Money Market	$0.989	1.064	-	58244
Sterling Money Market	£1.028	1.150	-	58252
International Fixed Interest	$1.102	1.138	-	58242
UK Fixed Interest	£1.071	1.150	-	58250
Dollar Managed	$1.069	1.130	-	58243
Sterling Managed	£1.069	1.150	-	58251
European Stockmarket	$1.389	1.472	-	58254
International Stockmarket	$1.061	1.162	-	58241
Pacific Stockmarket	$0.935	1.009	-	58240
Emerging Asian Stockmarket	$1.065	1.146	-	58245
Japanese Stockmarket	$0.741	0.797	-	58249
Hong Kong Stockmarket	$1.455	1.076	-	58248
Dollar Special Market	$0.989	1.343	-	58247
Sterling Special Market	£0.946	1.017	-	58253
Latin American Stockmarket	10.199	1.289	-	58246
Sun Alliance International Life				
US Dollar Global Managed	$2.14	2.31	-	-
Stg Global Managed	£2.10	2.27	-	-
Sun Life International (IOM) Ltd				
Aggressive Managed	£1.457		-	52376
Balanced Managed	£1.317		-	52377
Defensive Managed	£1.331		-	52379
Sterling Income	£1.344		-	52381

OTHER OFFSHORE FUNDS

	Selling Price	Buying Price	Yield Gross	City-Line
ATSP Management Ltd				
Philippines Long Term Equity NAV Nov 08	$44.07		-	47417
AXA Asset Management				
AXA Valeurs	FFr168.60		-	58555
AXA Europe Actions	FFr227.28		-	58559
AXA NPI	FFr137.36		-	58560
Acciones y Valores de Mexico SA de CV				
Accival Jan 30	Pesos53.00		0.25	55290
Africa Emerging Markets Fund				
NAV Jan 13	$12.56		-	
Agribusiness Fund Management Co				
ABC Bond	100.00		-	-
Clinal	$1.08		-	-
Alliance Capital				
International	$18.20	18.98	-	44069
International Class B	$17.17		-	42491
Quasar	$27.80	28.89	-	44071
Quasar Class B	$25.86		-	
Global Small Cap	$12.56	13.14	-	44073
Global Small Cap Class B	101.82		-	30254

The Financial Times plans to publish

FTTC - The FT Guide to Telecoms

on Wednesday, March 19

The FT is adopting a new approach to telecoms surveys this year. Coverage of this rapidly expanding and fast changing industry will be concentrated in a regular series of reports, each with a principal theme:

Wednesday, March 19 - Developing Countries and Emerging Markets

Wednesday, June 11 - European Telecoms, including the UK market

Wednesday, September 10 - World Telecoms

Wednesday, November 19 - Wireless Systems

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FT Surveys

Highs & Lows shown on a 52 week basis

WORLD STOCK MARKETS

EUROPE

AUSTRIA (Jan 31 / Sch)

BELGIUM/LUXEMBOURG (Jan 31 / Frs.)

CZECH REP (Jan 31 / Koruna)

DENMARK (Jan 31 / Kr)

FINLAND (Jan 31 / Mka)

FRANCE (Jan 31 / Frs.)

GERMANY (Jan 31 / Dm.)

GREECE (Jan 31 / Drachma)

ITALY (Jan 31 / Lire)

NETHERLANDS (Jan 31 / Fls.)

NORWAY (Jan 31 / Kroner)

POLAND (Jan 31 / Zloty)

PORTUGAL (Jan 31 / Escudo)

SPAIN (Jan 31 / Ptas.)

SWEDEN (Jan 31 / Kronor)

SWITZERLAND (Jan 31 / Frs.)

TURKEY (Jan 31 / Tk Lira)

PACIFIC

JAPAN (Jan 31 / Yen)

HONG KONG (Jan 31 / H.K.$)

INDONESIA (Jan 31 / Rupiah)

MALAYSIA (Jan 31 / MYR)

NEW ZEALAND (Jan 31 / NZ $)

SINGAPORE (Jan 31 / S$)

SOUTH KOREA (Jan 31 / Won)

TAIWAN (Jan 31 / TW $)

THAILAND (Jan 31 / Baht)

AUSTRALIA (Jan 31 / Aust$)

AFRICA

SOUTH AFRICA (Jan 31 / Rand)

NORTH AMERICA

CANADA

TORONTO (Jan 31 / Can $)
4 pm close

MONTREAL (Jan 31 / Can $)
4 pm close

INDICES

	Jan 31	Jan 30	Jan 29	1996/97 High		Low	
Argentina							
General(29/12/77)	20129.13	19867.72	19892.20	20129.10	31/1/97	15287.28	22/8/96
Australia							
All Ordinaries(1/1/80)	2423.7	2417.7	2414.2	2444.20	20/1/97	2098.10	17/7/96
All Mining(1/1/80)	940.5	945.2	947.8	1118.40	8/5/96	903.80	13/12/96
Austria							
Credit Aktien(30/12/84)	394.80	393.67	394.32	398.37	23/1/97	349.19	6/9/96
Traded Index(2/1/91)	1174.82	1170.10	1172.87	1186.86	23/1/97	976.27	2/1/96
Belgium							
BEL20(1/1/91)	2051.54	2045.87	2031.57	2076.08	23/1/97	1574.50	2/1/96
Brazil							
Bovespa(29/12/83)	79847.0	77898.0	77369.0	79847.00	31/1/97	43901.00	2/1/96
Canada							
Metals Minls♦(1975)	5442.89	5450.52	5417.89	5834.00	8/5/96	4067.47	18/1/96
Composite♦(1975)	6109.80	6085.10	6071.30	6130.89	17/1/97	4738.70	15/1/96
Portfolio§§(4/1/83)	3018.59	3006.95	2994.56	3049.11	17/1/97	2327.30	12/1/96
Chile							
IGPA Gen♥(31/12/80)	5227.32	5207.88	5161.86	5804.33	8/1/96	4988.17	18/12/96
Denmark							
CopenhagenSE(3/1/83)	511.61	505.30	503.41	511.61	31/1/97	388.49	2/1/96
Finland							
HEX General(28/12/90)	2777.13	2712.73	2697.09	2785.85	23/1/97	1851.87	10/1/96
France							
SBF 250(31/12/90)	1693.44	1684.66	1667.85	1693.44	31/1/97	1250.18	2/1/96
CAC 40(31/12/87)	2516.56	2503.06	2465.01	2516.56	31/1/97	1897.85	11/1/96
Germany							
FAZ Aktien(31/12/58)	1046.50	1048.45	1041.77	1049.85	22/1/97	818.88	2/1/96
Commerzbank(1/12/53)	3041.4	3031.5	3014.9	3042.80	22/1/97	2376.18	2/1/96
DAX‡(30/12/87)	3035.15	3017.32	2999.20	3035.15	31/1/97	2284.86	2/1/96
Greece							
Athens SE(31/12/80)	1166.18	1171.28	1156.02	1171.28	30/1/97	872.98	7/8/96
Hong Kong							
Hang Seng(31/7/64)	13321.79	13288.40	13285.43	13868.20	20/1/97	10204.88	2/1/96
India							
BSE Sens.(1979)	3382.47	3510.05	3525.97	4069.25	18/6/96	2745.06	4/12/96
Indonesia							
Jakarta Comp.(10/8/82)	691.11	687.29	691.33	691.33	29/1/97	512.48	2/1/96
Ireland							
ISEQ Overall(4/1/88)	2921.57	2883.15	2854.86	2921.87	31/1/97	2224.81	2/1/96
Italy							
Banca Comm Ital(1972)	769.53	770.74	770.82	790.45	23/1/97	572.21	27/3/96
MIB General(2/1/97)	1154.0	1157.0	1157.0	1186.00	23/1/97	991.00	2/1/97
Japan							
Nikkei 225(16/5/49)	18330.01	17864.04	18335.30	22666.80	26/6/96	17303.70	10/1/97
Nikkei 300(1/10/82)	260.96	255.85	259.79	319.70	26/6/96	251.04	27/1/97
Topix(4/1/68)	1372.48	1245.70	1368.44	1722.13	26/6/96	1328.80	27/1/97
2nd Section(4/1/68)	1738.46	1722.12	1721.55	2251.48	3/7/96	1719.12	28/1/97
Malaysia							
KLSE Comp.(4/4/86)	1216.72	1215.03	1212.55	1244.13	24/1/97	993.18	2/1/96
Mexico							
IPC(Nov 1978)	(c)	3672.92	3631.62	3739.58	29/1/97	2738.35	8/3/96
Netherland							
CBS TtlRtnGen(End 83)	786.8	783.9	779.8	793.50	23/1/97	639.80	2/1/96
CBS All ShrEnd 83)	461.8	460.1	457.7	465.79	23/1/97	328.70	2/1/96
New Zealand							
Cap. 40(1/7/86)	2386.74	2400.50	2392.60	2440.21	20/1/97	2025.14	7/6/96
Norway							
Oslo SE(Ind)(2/1/83)	1834.18	1821.49	1814.70	1834.38	31/1/97	1259.86	30/1/96
Philippines							
Manila Comp(2/1/85)	3421.91	3392.76	3373.61	3421.91	31/1/97	2578.97	2/1/96
Portugal							
BVL 30(4/1/93)	2450.77	2440.33	2439.15	2450.77	31/1/97	1682.81	2/1/96
Singapore							
SES All-S'pore(2/4/75)	550.80	548.38	547.48	610.37	5/2/96	503.78	21/10/96
South Africa							
JSE Gold(28/9/78)	1360.0♥	1365.3	1385.5	2030.40	29/5/96	1346.40	2/1/96
JSE Ind.(28/9/78)	8003.3♥	7962.8	8011.0	8739.30	25/1/96	7598.80	17/12/96
South Korea							
KoreaCompEx**(4/1/80)	685.84	678.52	683.56	986.84	7/5/96	611.05	7/1/97
Spain							
Madrid SE(30/12/85)	462.85	459.49	461.00	479.88	21/1/97	323.75	11/1/96
Sweden							
AffarsvarldsGen(1/2/37)	2572.0	2544.3	2529.8	2572.00	31/1/97	1706.80	22/1/96
Switzerland							
Swiss Bk Ind(31/12/58)	2077.64	2041.00	2019.82	2077.64	31/1/97	1516.18	17/1/96
SBC General(1/4/87)	1435.44	1414.97	1402.87	1435.44	31/1/97	1114.47	26/1/96
Taiwan							
WeightedPr.**(30/6/66)	7283.40	7221.98	7149.54	7290.77	22/1/97	4690.22	8/2/96
Thailand							
Bangkok SET(30/4/75)	788.04	820.18	814.39	1415.04	6/2/96	787.47	3/1/97
Turkey							
IMKB Nat 100(1986)	1605.0	1643.0	1587.0	1789.00	27/1/97	388.08	2/1/96
WORLD							
MS Capital Intl(1/1/70)	820.7*	822.3	816.8	837.28	25/11/96	725.90	15/1/96
CROSS-BORDER							
Eurotrack 100(26/10/90)	2055.31	2045.32	2033.21	2055.31	31/1/97	1604.46	11/1/96
Euro Top-100(26/6/90)	1743.96	1728.74	1715.58	1743.96	31/1/97	1333.81	11/1/96
HSBC JC Dgn(31/12/88)	(u)	416.57	417.73	429.46	20/1/97	344.19	2/1/96
ING Bngs Emrg(7/1/92)	170.23	169.44	169.27	170.93	20/1/97	147.35	2/1/96

INDEX FUTURES

	Open	Sett Price	Change	High	Low	Est. vol.	Open Int.
■ CAC-40 (200 x Index)							
Jan	2515.0	2519.0	+18.0	2522.0	2492.5	15,940	12,220
Feb	2520.0	2508.0	+9.0	2525.0	2495.0	341	22,424
■ DAX							
Mar	3054.0	3049.0	+21.5	3057.0	3024.0	20,538	109,134
Jun	3065.5	3063.0	+15.0	3067.0	3049.0	287	–
■ OMX							
Feb	2003.00	2009.00	+20.00	2012.00	1995.25	2,617	28,076
Mar	2008.00	2013.00	+24.00	2013.00	2008.00	30	2,177
■ SOFFEX							
Feb	4229.9	4273.0	+58.0	4280.0	4218.0	5,734	22,124
Mar	4232.0	4279.0	+29.0	4248.5	4232.0	9	748

** Sat Jan 25: Taiwan Weighted Price 7212.26; Korea Comp Ex 685.11. Base values of all indices are 100 except: Australia All Ord and Mining – 500; Austria Traded, BEL20, HEX Gen., MIB Gen., BVL30, SBF250, CAC40, Euro Top-100, ISEQ Overall; Toronto Comp./Metals & Minerals and DAX – all 1,000; JSE Gold – 255.7; JSE 20 Industrials – 264.3; IMKB Nat 100 - 1; NYSE All Common – 50; Standard & Poor's – 10 and Amex Comp - 550. §§ Montreal. ♦ Toronto. (c) Closed. (u) Unavailable. ‡ IBIS/DAX after-hours Index: Jan 31 - 3037.70 +19.12 † Correction. * Calculated at 15.00 GMT. ● Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. ♠ The DJ Ind. index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock; whereas the actual day's highs and lows represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's). ♥ Subject to official recalculation.

US INDICES

Dow Jones	Jan 31	Jan 30	Jan 29	1996/97 High	Low	Since compilation High	Low
Industrials	6813.09	6823.86	6740.74	6883.90 (21/1/97)	5032.94 (10/1/96)	6883.90 (21/1/97)	41.22 (8/7/32)
Home Bonds	103.24	103.19†	103.22	106.09 (14/2/96)	100.99 (15/7/96)	109.77 (18/10/93)	54.99 (1/10/81)
Transport	2324.10	2328.72	2318.85	2365.23 (22/1/97)	1882.71 (18/1/96)	2365.23 (22/1/97)	13.23 (8/7/32)
Utilities	232.53	234.21	232.87	240.85 (22/1/97)	204.86 (30/7/96)	266.46 (31/8/93)	16.53 (8/7/32)

DJ Ind. Day's high 6912.37 (6845.03) Low 6768.99 (6712.98) (Theoretical♠)
Day's high 6873.89 (6823.86) Low 6806.06 (6740.74) (Actual♠)

Standard and Poors	Jan 31	Jan 30	Jan 29	1996/97 High	Low	Since compilation High	Low
Composite‡	786.10	784.17	772.50	786.23 (22/1/97)	598.48 (10/1/96)	786.23 (22/1/97)	4.40 (1/6/32)
Industrials♥	922.99	921.13	906.81	922.99 (31/1/97)	702.07 (15/1/96)	922.99 (31/1/97)	3.52 (30/6/32)
Financial	88.30	87.53	86.29	88.30 (31/1/97)	58.87 (10/1/96)	88.30 (31/1/97)	7.13 (4/6/74)
NYSE Comp.	411.96	411.20	406.09	412.80 (22/1/97)	321.41 (10/1/96)	412.80 (22/1/97)	4.64 (25/4/42)
Amex Comp.	588.77	588.65	587.87	617.61 (22/5/96)	524.20 (16/7/96)	617.61 (22/5/96)	524.20 (16/7/96)
NASDAQ Cmp	1379.85	1371.02	1355.17	1388.06 (22/1/97)	988.57 (15/1/96)	1388.06 (22/1/97)	54.87 (3/10/74)

■ RATIOS

	Jan 24	Jan 17	Jan 10	Year ago
Dow Jones Ind. Div. Yield	1.99	1.95	1.96	2.24
	Jan 29	Jan 22	Jan 15	Year ago
S & P Ind. Div. yield	1.78	1.74	1.76	1.91
S & P Ind. P/E ratio	23.98	24.40	23.84	19.43

■ NEW YORK ACTIVE STOCKS

Friday	Stocks traded	Close price	Change on day
Mercury Fin	35,846,100	2	-12⅝
Trigon Hlth	7,674,600	17¾	+4¾
First Data	5,159,300	36	-1
Learning Co	4,686,900	12⅝	-3¾
Wal-Mart	4,511,600	23⅝	+½
Micron-Tech	4,259,100	34⅝	-⅜
Pepsico	4,095,600	34⅞	+⅜
Coca Cola	3,749,300	57⅞	+⅜
Texas Inst	3,488,900	78⅞	+3¾
Brng Ferris	3,437,700	32⅛	+2¼

■ TRADING ACTIVITY

● Volume (million)

	Jan 31	Jan 30	Jan 29
New York SE	578.744	523.643	489.247
Amex	20.931	19.992	19.049
NASDAQ	(u)	698.745	614.321
NYSE			
Issues Traded	3,321	3,313	3,303
Rises	1,392	1,551	1,248
Falls	1m116	913	1,160
Unchanged	813	849	895
New Highs	202	120	78
New Lows	27	23	30

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
■ S&P 500							
Mar	788.00	787.50	–0.45	798.20	786.00	69,774	181,459
Jun	799.25	794.90	–0.40	803.40	794.00	770	9,901
■ Nikkei 225							
Mar	18040.0	18340.0	+480.0	18620.0	18030.0	30,859	215,513
Jun	18020.0	18490.0	+530.0	18570.0	18020.0	1,964	35,999

Open Interest figures for previous day.

NOTES – Prices on this page are as quoted on the individual exchanges and are mostly last traded prices. * Calendar year high and low. # Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all. † Priced in US $.

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■ TOKYO - MOST ACTIVE STOCKS: Friday, January 31, 1997

	Stocks Traded	Closing Prices	Change on day
Nippon Steel Cp	7.5m	300	+4
NKK Corp	7.0m	246	+1
Fujitsu	6.0m	1220	
Wakachiku Const	5.8m	570	-14
Mitsui Min & Sml	5.5m	436	+3
Sakura Bank	4.9m	690	+25
Toshiba Corp	4.0m	705	+13
Kawasaki Steel	4.0m	298	+1
Hitachi	3.8m	1090	+40
Fuji Bank	3.7m	1270	+50

4 pm close January 31

NEW YORK STOCK EXCHANGE PRICES

1996/97 High	Low	Stock	Div	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Chng Prev. Close
32	24⅞	AAR x	0.48	1.8	21	388	28	25⅝	28	+⅛
45⅛	33	AMP x	1.04	2.6	31	5475	41½	40	40¾	-¾
97½	68	AMR			19	7394	83	80¼	80½	-2
50½	33¼	ASA	1.20	3.5	28	214	34	33⅝	34	+⅜
31⅞	38⅛	AbbotL 4	0.80	1.5	23	9557	29	53⅞	44⅞	+⅛
17⅛	12¼	Abitibi Pr	0.40	2.5	8	330	16⅛	16	16	-¾
20¼	13½	ABM Ind x	0.40	2.1	17	152	19¼	10⅝	18⅞	-¼
22½	13⅞	Acptncein			9	114	20½	19⅞	20	-¼
21¼	37¾	ACE Ltd	0.72	1.2	9	742	58¼	57⅞	58¼	+1⅞
10½	9⅛	ACM Gvt In	0.80	8.8	11	474	10¼	10⅛	10¼	+½
7⅞	9⅝	ACM GvOpp	0.66	8.5		406	7½	7⅜	7⅜	-⅛
9⅞	8⅜	ACM Man	0.80	8.6		152	9½	9⅜	9⅜	+⅛
13⅞	6⅛	Acme Elect				132	8⅝	8⅞	8⅝	+¾
21⅞	13⅞	Acme Mills				38	20	19⅝	20	
33¾	27¼	Acordia	0.80	2.9	14	18	27⅞	27⅞	27⅞	-⅛
27¼	12	Acuson				1121	25½	25⅛	25½	
21⅞	17⅞	Adams Expr	0.55	2.7	1	85	20⅝	20⅝	20⅝	
35¼	10¼	AdvMic				3624505	u36⅛	54½	35	-⅛
11⅞	9½	Advest Grp			6	187	u11¾	11⅞	11¾	+⅜
28⅛	9⅝	Advo Inc			30	124	13	12⅛	13	+¾
65½	41⅞	Aegon	1.18	1.9	19	526	62⅛	61½	61⅞	-1⅛
8¼	3½	Aerflx				227	4½	4¼	4⅛	+½
50⅛	40⅝	AES Corp				30	48	48	55⅝	
82½	57⅝	Aetna x	0.80	1.8	48	6871	80¼	76⅛	79	+3
44	28¼	Aflac	0.40	1.8	14	6408	40⅝	39⅞	39⅞	-¼
22	17⅛	AGL Res	1.00	5.2	18	234	20⅞	20⅝	20⅞	+⅛
59¾	31⅛	Ahmann	0.66	2.3	41	6749	37⅞	36⅞	37½	+¼
72½	50⅜	AirPrC x	1.19	1.5	19	1848	u72¾	71⅞	71⅞	-⅛
28⅞	19½	Airbrne Frt	0.30	1.1	19	1315	27	25⅝	26¾	+1

- A - - B - - C - - D - - E - - F - - G - - H - - I - - J - - K - - L - - M - - N - - O - - P - Q - - R - - S -

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NYSE PRICES

4 pm close January 31

Continued from previous page

NASDAQ NATIONAL MARKET

4 pm close January 31

Stock	Div.	P/E	Sls 100s	High	Low	Close	Chng
Zeta	0.12	0.5 17	299	22½	21⅞	22⅛	+⅛
Zum Ind	0.40	1.7 14	102	24¼	24	24½	-⅛
Zweig Fund	1.12	10.0	319	10⅞	10¾	11¼	
Zweig Totl	0.84	10.2	345	8⅜	8¼	8¼	

Price data supplied by Extel, part of FT information.

Yearly highs and lows for NYSE reflect the period from Jan 1 1996. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration. Sales figures are unofficial.
d-new yearly low. P/E price-earnings ratio. sls-sales. u-new yearly high. x-ex-dividend or ex-rights. yld-yield. z-sales in full.
4 Dealings suspended

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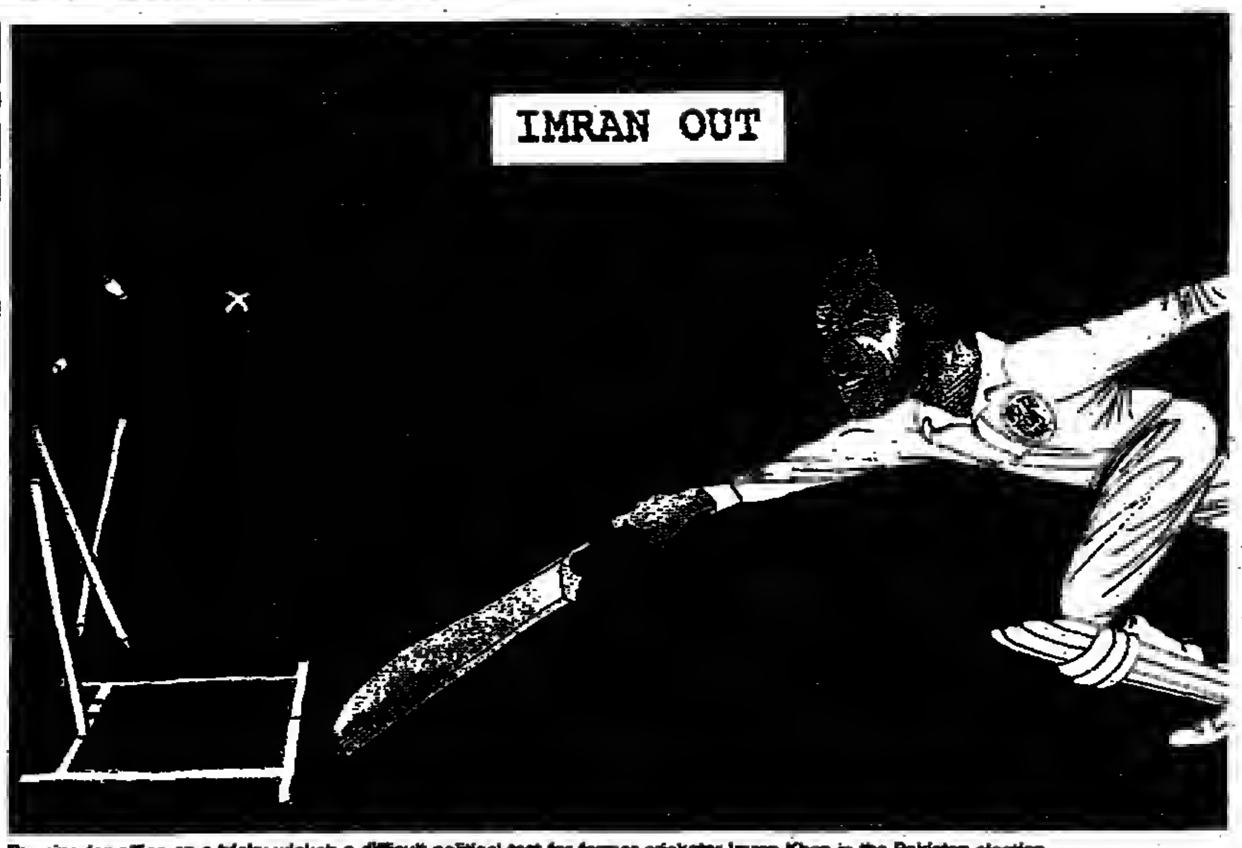
AMEX PRICES

4 pm close January 31

Stock	Div.	P/E	Sls 100s	High	Low	Close	Chng
NVR		7	240	13	12¾	12⅞	-⅛
Pegasus G		76	696	7⅝	7⅝	7⅝	+⅛
Perini		7	37	8½	8⅜	8⅜	
PMC	1.20	12	70	13¾	13⅝	13¾	
ReganGrad			3	29	d29	29	
SJW Corp x	2.22	0	9	47⅞	47½	47½	-¾
Tab Prods	0.20	14	87	9⅜	9$\frac{1}{16}$	9$\frac{3}{16}$	+$\frac{3}{16}$
TeleData	0.40	36	774	36¼	35½	37⅝	+⅛
Thermedics		30	953	19⅞	19⅝	19⅝	+⅛
Thermotes		29	325	34½	33½	33½	-⅞
TotPNA	0.30	151	620	10⅞	10⅝	10⅝	-⅛
TownCntry		0	17	⅜	⅛	⅛	
Triton Gp			170	$\frac{13}{16}$	d¾	$\frac{13}{16}$	
Triton		0	10	$\frac{15}{16}$	$\frac{15}{16}$	$\frac{15}{16}$	
Tubos Mex			3681	17⅞	17½	17½	-¼
UtdFoodsA		18	70	1$\frac{13}{16}$	1$\frac{3}{16}$	1$\frac{9}{16}$	-$\frac{1}{16}$
UtdFoodsB			38	1¾	1⅝	1⅞	+$\frac{1}{16}$
US Cellul		77	1148	27⅛	26⅞	27	+⅛
ViacomA		87	2210	34¾	34	34	-¾
ViacomB		83	5289	34⅞	34⅛	34¼	-¼
WRET	1.12	17	412	13	12⅞	13	-⅛
Xytronix			138	1$\frac{3}{16}$	1¼	1$\frac{3}{16}$	+$\frac{1}{16}$

FT GUIDE TO THE WEEK



Running for office on a tricky wicket: a difficult political test for former cricketer Imran Khan in the Pakistan election

MONDAY 3

Figures of fun

Europe's statisticians step into the limelight with the publication of a report on the validity of practices being used by some countries to qualify for the single currency. The report by Eurostat, the statistical wing of the European Commission, is likely to have a crucial bearing on which nations qualify for European monetary union in 1999. It is likely to deal primarily with attempts by countries – particularly Belgium and Italy – to reduce budget deficits in line with the Maastricht treaty. It will deal with issues such as the sale of gold reserves and state-owned companies, and the imposition of one-off income taxes.

Imran Khan at the crease

Pakistanis elect a government to succeed Benazir Bhutto, whose administration was thrown out on corruption and other charges. The Muslim League party of Nawaz Sharif, the former prime minister, is expected to win after a lacklustre campaign enlivened somewhat by the anti-corruption crusade of the Tehreek-i-Insaf (Justice Movement) party of Imran Khan, the former cricket captain. The controversy over Imran's celebrity wife Jemima Goldsmith and his alleged love child by Sita White are unlikely to impress voters, however. Ms Bhutto's own vote looks split in her political homeland of Sindh province.

Public holidays

Mozambique, São Tomé.

Tennis

Austrian Open women's tournament, Linz (to Feb 9).

TUESDAY 4

Kohl digs for Berlin

Helmut Kohl will break the earth at the site of the planned new chancellery building in Berlin. The ceremony is a further step in the transferring of the German government from Bonn to Berlin, which is already officially the capital city. Located near the Reichstag, the building is designed by the Berlin architects Axel Schultes and Charlotte Frank. It will be completed in 2000. The Reichstag's renovation by the British architect Sir Norman Foster is to be completed by early 1999.

Labour on the roads

Britain's opposition Labour party lays out its policies on transport and business at a conference in London. In addition to Tony Blair, the Labour leader, speakers will include Neil Kinnock, the former party leader and now the European Union transport commissioner. Party spokesmen will cover areas such as the development of an integrated transport policy, management of congestion and reform of the private finance initiative.

Ruling on Tapie appeal

France's highest appeals court, the Cour de Cassation, considers the penalties imposed on Bernard Tapie, the businessman and politician, who has been convicted of football match rigging. Under the normal rules, Mr Tapie should be obliged to spend the previous night in jail.

Clinton on the Hill

US President Bill Clinton makes the annual state of the union address to Congress and the country. He is expected to provide the meat and potatoes policy proposals touched on only lightly in his inaugural speech. There will be much on the right way to balance the budget and on reform of federal medical health insurance, as well as foreign affairs. More details will follow on Thursday, when Mr Clinton sends his 1997-1998 fiscal year budget to Capitol Hill.

Tung's advisers meet

Hong Kong's newly appointed group of advisers to Tung Chee-hwa, who becomes the territory's first post-colonial leader on July 1, conduct their first meeting. The executive council is drawn largely from business and pro-Beijing groups. However, it includes two members who serve on the executive council of the governor, Chris Patten. The behind-the-doors meeting follows the inaugural one in southern China of the provisional legislature, the Beijing-backed body set up in parallel with the elected one.

Election in Brazil congress

In elections that could have an important bearing on a constitutional change to allow Fernando Cardoso, the Brazilian president, to stand for re-election, the Congress votes for new presidents in the Chamber of Deputies and the Senate. If the government's allies lose, there could be another dispute between the parties in the government coalition, threatening to derail the re-election amendment.

Fed reviews interest rates

Although a tightening of monetary policy is now widely expected during the first half of this year, interest rates are unlikely to be changed at a meeting of the US Federal Reserve's open markets committee. The two-day meeting gives the monetary policy committee the chance to review 1996 and to consider the prognosis for 1997. The Fed last cut interest rates a year ago, in response to evidence of a slowing economy. Since then momentum has clearly picked up: last week's GDP figures showed the economy grew by 2.5 per cent in 1996. But there is still little evidence of a serious upturn in inflation.

FT Survey

Mercosur.

Public holidays

Angola, Sri Lanka.

WEDNESDAY 5

Strike in Ecuador

Ecuadorians take to the streets in a protest against the six-month-old government of Abdalá Bucaram. The president's popularity has sunk to 12 per cent, according to pollsters. The protest began as a strike by the United Workers' Front and the teachers' union, but has won support from several sectors, including business leaders. As well as denouncing government authoritarianism, nepotism and corruption, they want Mr Bucaram – who ran for the presidency on a populist platform – to withdraw recent cuts in subsidies for public services, fuel and transport, and to cancel a currency convertibility plan.

FT Survey

FT Review of Information Technology.

Public holidays

Burundi, Mexico, San Marino.

THURSDAY 6

Pyramid selling banned

While thousands riot in Albania over the loss of their savings in pyramid finance schemes, laws banning pyramid selling come into force in the UK. It will be a criminal offence to persuade somebody to invest money in a get-rich-quick scheme that promises benefits only by getting others to follow suit. The maximum penalty will be two years in jail and/or a £5,000 fine. However, there is concern that existing schemes might circumvent the law by, for instance, including a token product in their transactions.

Not the cruellest cut

Six days of carnival festivities commence in Germany's Rhineland region on Weiberfastnacht, the day when women have the licence to cut off men's ties.

Cricket

Second Test, Wellington: New Zealand v England (to Feb 10).

Golf

South African Open, Glendower, Johannesburg (to Feb 9).

FT Survey

The Business of Travel.

Public holidays

China, Hong Kong, Macau, New Zealand, Switzerland, Taiwan.

FRIDAY 7

Prodi visits Kohl

Romano Prodi, the Italian prime minister, arrives in Bonn for discussions on European integration and his country's plans for joining the single currency. The meeting with Helmut Kohl, the German chancellor, is one of a series of bilateral consultations and comes amid signs that Italy is becoming less insistent on joining the proposed economic and monetary union in the first wave – providing there are no barriers to its membership if Italy meets the conditions shortly afterwards. Mr Kohl is expected to emphasise that decisions on Emu membership do not have to be taken until next year and that the entry rules are in the Maastricht treaty.

Mandela opens parliament

Nelson Mandela, the South African president, opens the 1997 session of parliament, the first since the country's new constitution was finalised last year. Mr Mandela has met opposition parties and the ruling African National Congress has renewed its efforts to agree on a timetable for further economic reform. Mr Mandela is likely to outline the first phase of a privatisation programme, and possibly announce plans to bring the mainly white Democratic Party into the cabinet – a move discreetly encouraged by the Anglo American corporation. The markets will be hoping for promises of a speedier abolition of exchange controls.

Year of the Ox

The Chinese new year begins, heralding public holidays throughout east Asia. Calculated according to the lunar calendar, which is followed closely in the region, it marks the start of the Year of the Ox. Each of the 12 animal symbols in the Chinese zodiac represents one year. According to Chinese astrologers, those born in the Year of the Ox are hard-working, patient and stubborn. Perhaps this year will prove a happier one for bovine animals than the last.

Public holidays

China, Grenada, Hong Kong, Korea, Macau, Malaysia, Mauritius, Mongolia, Singapore, Taiwan.

SATURDAY 8

G7 finance ministers meet

The strong US dollar and the EU's plans for economic and monetary union from January 1999 will dominate discussions of the world economy by finance ministers of the Group of Seven leading industrial nations. The ministers from the US, Japan, Germany, France, Britain, Italy and Canada meet in Berlin to compare notes on their respective economies and examine recent financial market trends. G7 central bank governors will also take part.

Manila deregulates oil

Full deregulation of the Philippine oil sector begins a month ahead of schedule because of the exhaustion of a buffer fund. The government's oil price stabilisation fund protected consumers from global price fluctuations. Now in deficit, it owes 2.4bn pesos (£56.5m) to Shell, Petron and Caltex. Deregulation began last August with regular price rises, provoking nationwide protests. Foreign companies, including Thai Petrochemicals Industry, British Petroleum and Mobil, have already expressed interest in the Philippine market.

Public holidays

Bhutan, Brunei, China, Hong Kong, Iraq, Korea, Macau, Mongolia, Singapore, Slovenia, Taiwan.

SUNDAY 9

Democracy in Gabon

The central African state of Gabon holds a second round of elections for a new upper house of parliament as part of a democratic timetable agreed in Paris in 1994 to defuse political violence. Last week, President Omar Bongo, who has ruled the former French colony since 1968, asked Paulin Obame Nguema, the transitional prime minister, to form a government. Guy Ndzouba Ndama, who was chairman of Bongo's ruling Democratic Party in the outgoing assembly, has been elected chairman of the new one.

Compiled by Simon Strong.
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ECONOMIC DIARY

Other economic news

Monday: The UK purchasing managers survey will give the latest indication of the strong pound's effect on British industry. UK M0 money supply growth is thought to have slowed in January.

Tuesday: The US Federal Reserve's open markets committee meets to discuss interest rates. Mr Robert Rubin, US treasury secretary, testifies to the Senate budget committee.

Wednesday: The US FOMC meeting continues. Mr Eddie George, governor of the Bank of England, is likely to urge Mr Kenneth Clarke, the UK chancellor, to raise interest rates when they meet to discuss the economy. Few economists expect UK rates to be raised.

Thursday: UK manufacturing output is forecast to have recovered in December after falling in November.

Friday: The US employment report is expected to show greater job creation last month. US consumer credit figures are published. The Confederation of British Industry's distributive trades survey will show if Britain's shops recovered in January after disappointing December sales.

Statistics to be released this week

Day Released	Country	Economic Statistic	Median Forecast	Previous Actual
Mon	Japan	Automobile sales**		13.1%
Feb 3	Japan	January foreign exchange reserves*		0.3%
	Spain	December producer price index*	0.1%	0.2%
	Spain	December producer price index**	1.8%	1.6%
	UK	January M0*	-0.1%	0.9%
	UK	January M0**	7.3%	7.1%
	US	December personal income	0.7%	0.5%
	US	Dec personal consumer expenditure	0.5%	0.5%
	US	Jan domestic automobile sales	6.5m	6.6m
	US	Jan National Ass Purch Managers	53.5%	53.8%
	US	December construction spending	-0.4%	1.9%
	Chile	January consumer price index**	6.77%	6.6%
Tues	Italy	Jan cons price index (ex-tobacco)*	0.2%	0.1%
Feb 4	Italy	Jan cons price index (ex-tobacco)**	2.6%	2.6%
	UK	December housing starts		n/a
	UK	January official reserves		-$109m
	US	December leading indicators	0.2%	0.1%
	US	Redbook February 1		0.8%
Wed	US	December factory orders	0.6%	-0.4%
Feb 5	US	December factory inventories		0.4%
	US	December home completions		1.39m
Thurs	Germany	January unemployment pan German†	50,000	48,000
Feb 6	Germany	January unemployment, west†	25,000	22,000
	Germany	January unemployment, east†	25,000	26,000
	UK	December industrial production*	0.4%	0.4%

Day Released	Country	Economic Statistic	Median Forecast	Previous Actual
	UK	December industrial production**	1.1%	1.3%
	UK	December manufacturing output*	0.3%	-0.5%
	UK	December manufacturing output**	1.1%	0.2%
Fri	Neth'ds	January consumer price index*	0.3%	-0.1%
Feb 7	Neth'ds	January consumer price index**	2.4%	2.5%
	UK	January cyclical indicators UK economy		n/a
	Sweden	January unemployment	6.7%	8.7%
	US	January non-farm payroll	188,000	262,000
	US	January manufacturing payroll	10,000	19,000
	US	January hourly earnings	0.3%	0.5%
	US	January average work week		34.8
	US	January unemployment rate	5.3%	5.3%
	US	December wholesale trade		0.8%
	US	December consumer credit	$6.5bn	$7.3bn
	Mexico	December trade balance, final	$220m	$254m
During the week...				
	Germany	December Indust prod, pan German*	-0.5%	0.8%R
	Germany	December manuf output pan German*	-0.9%	1.4%R
	Germany	December industrial production		1.2%R
	Germany	Dec net foreign securities purchases		DM21.9bn
	Germany	December manuf orders pan German*	-0.5%	-0.6%R
	Japan	January trade balance (1st 20) non†		-Y263bn
	Japan	December current account (IMF) non†		Y1,070bn
	Japan	December trade balance (IMF) non†		Y1,310bn

*month on month, **year on year, †seasonally adjusted

Statistics, courtesy MMS International.

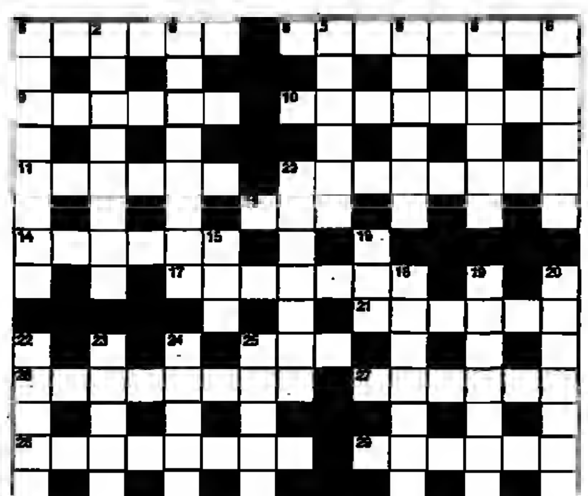
MONDAY PRIZE CROSSWORD

No.9,290 Set by DANTE

Six bottles of Davys Celebration Champagne for the first correct solution opened and three runner-up prizes of £40 Davys food and wine vouchers redeemable in person or by post. These prizes are available only to winners living in England, Scotland and Wales. Winners with overseas addresses will receive a set of silver-plated place name bases and cards. Solutions by Thursday February 13, marked Monday Crossword 9,290 on the envelope, to the Financial Times, 1 Southwark Bridge, London SE1 9HL. Solution on Monday February 17. Please allow 28 days for delivery of prizes.

Name..

Address..



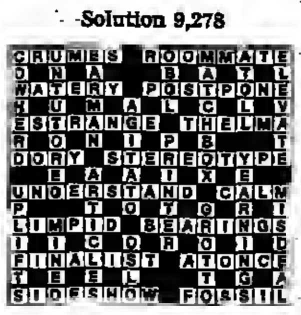
ACROSS

1 Descriptive of a candle base (6)
4 Business award in force (8)
9 Transport for student with a university final (6)
10 Sportsman performs acrobatics after the high jump (8)
11 European composer (6)
12 One forced to share his time with another (4-4)
13 Reserved for the cast (3)
14 Many invited to a kind of ball (6)
17 Man in a whirl – engine fuel his trouble? (7)
21 She provides father with a cooked meal (6)
25 May be bent on catching fish (3)
26 Centaurs? (8)
27 Surplus wealth? (6)
28 Shortage of transport in southern metropolis (8)
29 Time to wrap up (6)
30 Tie up damaged net and fish (8)
31 Joint account – end of solvency – what's left (6)

DOWN

1 Etonian version of squash? (4,4)
2 Compare quality of TV control (8)
3 Call-up date wrongly issued (8)
5 Roy and Ken work together in Scottish authority (6)
6 Representations seldom made (6)
7 The French always turn up for this show (6)
8 With the organ study over, got paid employment (6)
12 Sign of private advancement (7)
15 Air moisture expected, they say (3)
16 Cleopatra's preparations for death included it (3)
18 An almost invisible marking that recedes with age (4-4)
19 Vetted an order, causing relative bitterness (8)
20 Daisy enters city from the west (8)
22 Sounds like it's engraved without embellishment (6)
23 Progressed quickly in skill, being thorough (6)
24 It shows the hazard to be a swindle (6)
25 One's occupation may require this regular payment (6)

Solution 9,278



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